# Daily Report

# East Europe

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# Daily Report
## East Europe

*FBIS-EEU-95-020* *31 January 1995*

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## Article Assesses U.S. Help for Armed Forces

*AU3001163995 Tirana USHTRIA DHE KOHA in Albanian 25 Jan 95 p 2*

[Article by Colonel Akil Bubesi: "Albanian Army's Advantages Within the Framework of the Partnership for Peace"]

[FBIS Translated Text] During his visit to Albania in the summer of 1991, former U.S. Secretary of State James Baker, speaking before a mass rally in Scanderberg Square in Tirana, said: "You are with us; we are with you. Democracy bears fruit."

The United States means what it says.

Thus, today, we now have the stars of the U.S. Army here among us.

The goal of our papers and discourse at this joint conference with components of the U.S. Army—the first such conference in our country and also the first of its kind held in any East or Central European country—is not to set priorities, establish a program, but just to put forward some basic ideas on our units in keeping with the way our defense ministry visualizes their harmonic development, so that the way we conceptualize future programs meets the requirements of each separate unit and the growth of our Army's effectiveness, generally following the pattern of the U.S. Army.

The program of contacts between the U.S. Army and the Albanian Army, overseen by the Command of the U.S. Forces in Europe, is offering assistance to our Army during its transformation from an army serving a communist dictatorship to an army serving democracy in providing the legal basis for creating and maintaining our armed forces, defining our Army's mission and responsibilities; establishing civil control over the military establishment; restructuring the Army in accordance with its mission; conceptualizing, planning, and carrying out its training according to the most advanced Western patterns and standards; perfecting the chain of command; and changing the way of thinking of our military personnel. This complex of changes constitutes a major transformation that depends very much on the attitudes of our men. The time it takes can be shortened considerably if our men show a desire for change, a zeal for learning, and a devotion to sacrifice, as we are starting everything from scratch, building from the very foundations. Otherwise, if someone thinks he already knows these things and that there is nothing for him to learn, then the period of our transformation and adaptation will be prolonged.

The U.S. teams of experts discussed a wide range of topics with our specialists, such as the need for civil control over the military establishment and the organization of our army's leadership bodies from its joint command down to the division and battalion commands of our land forces. They also discussed the structure of our naval and air forces, including their functions and daily activities in keeping with their main tasks. The way of organizing the Army staff, from the General Staff down to the brigade staffs, and the organization of the supply service and its task of securing reserves, supply, and distribution, as well as its legal basis, were also discussed. Another topic of discussion was qualified leadership of the troops, organization of the communication system, and the structures and tasks of the artillery, chemical, and engineering corps, antiaircraft defense, and so on.

Highly specialized teams from U.S. military academies have come over to discuss the programs and operation of our military academies. Other teams of experts in other fields—such as public issues and the military history of legislation—have also come, and contacts here have been more frequent and longer. The lawyers of the U.S. Coast Guard, headed by Third Rank Captain [as published] Nicholas Giraselli, have made a brilliant contribution to drafting our Naval Code. Other U.S. lawyers are also cooperating with our Army lawyers, working on the legal basis for our army and the Military Code. Teams of Army experts have visited all our Army divisions and discussed the problems of platoon-company military exercises and teaching techniques. A great number of Albanian teams have also been sent to the United States to study the abovementioned problems at U.S. military bases and schools.

The contribution of the contacts between the U.S. Army and the Albanian Army has been multifaceted and productive. The Command of the U.S. Forces in Europe and we, for our part, are of the opinion that these contacts should increase in the future and serve our individual program of the Partnership for Peace.

The Partnership for Peace constitutes an important factor for European security. It links NATO to its partners and constitutes the basis of joint activities with a view to the security problem. Active participation in the Partnership for Peace will play a primary role in the process of NATO's expansion. Looking at matters from this angle, we notice that most of the activities carried out through the program of joint contacts directly concur with the goals and spirit of the Partnership for Peace initiative. The Defense Ministry considers the combination of most of the activities of our contact program with the program of the Partnership for Peace to be very useful, because as the first country embracing the Partnership initiative, we will also be among the first countries to gain admittance to NATO. In other words, it is clear to the Albanian Army that the Partnership for Peace will lead to gradual changes in the mentality of our men, because as a U.S. officer put it: "It is dangerous to learn how to sharpen a knife, without first sharpening your mind." We understand that it is not enough to teach a soldier how to dig trenches and fire his weapons, because the most important thing today is how to train a soldier not only to complete his military mission but also to come to the assistance of the population in cases of natural and human disasters, to search for and rescue

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injured people, and to protect the environment from pollution. In this way, training and educating the man in uniform must incorporate the physiognomy of the citizen, the model of the nation. It is for this reason that it would be a good thing to keep in mind our individual program for the Partnership for Peace when setting our priorities in the coming activities within the framework of the program of contacts; and as this program has not been completed yet, we will be referring to the working program of the Partnership for Peace for specific activities that are envisaged by NATO for 1995.

Most of these activities are joint exercises between NATO and the partner-countries, and their main goal is to establish links among armies to boost effectiveness in peacekeeping, search-and-rescue, and humanitarian-aid operations.

The peacekeeping operations include exercises in map reading, staff exercises, exercises under field conditions, command-staff exercises, communication and liaison, logistics, and tactical exercises without the participation of troops. Similar exercises could be carried out in search-and-rescue and humanitarian-aid operations, and so on. All these exercises are preceded by a series of theoretical preparations, such as seminar and discussions on certain issues. However, it will be these exercises that, in the last analysis, will determine the degree of preparedness and the ability to combine our military activities with those of other countries.

## Hajdari Says Maneuvers Increase 'Credibility'

*AU3001171995 Lezhe KOHA JONE in Albanian 27 Jan 95 p 3*

[Interview with Azem Hajdari, chairman of the People's Assembly Commission for Defense, Public Order, and the National Intelligence Service, by Ben Blushi; place and date not given: "Albania Is a Serious Partner of the United States"]

[FBIS Translated Text] [Blushi] As chairman of the Defense Commission, how do you assess the U.S.-Albanian military maneuvers and their political significance?

[Hajdari] First of all, national defense and security policy are totally served by the strategy of these maneuvers, which in particular embodies the concept in the Democratic Party's program for changing Albania's direction and for a new national security policy that looks to integration into NATO structures. Albania has already taken concrete steps in this direction and has sought to achieve stability and avoid conflicts, especially in the Balkans. As part of the Partnership for Peace agreement signed last year, the armed forces of NATO countries, especially of the United States, have undertaken such maneuvers with the Albanian Armed Forces, which have just passed through another difficult reform but one that I have characterized as the most important part of the reforms in Albania.

In this case, we also see the combat readiness of the Albanian Army following its reform. We see its level of organization and its ability to carry out its defense duties as part of a policy of national security and national integrity. I want to stress that these maneuvers greatly increase Albania's credibility, because these are concrete steps in bilateral and multilateral relations with NATO countries and bring Albania close to Western policy, a peaceful policy and a policy of stability that in absolutely no way threatens its neighbors.

[Blushi] How do you explain the fact that U.S. aid to Albania has been channeled entirely to the military sector?

[Hajdari] The point of this U.S.-Albanian cooperation is preventive. I think trust is very important in this case, because U.S. aid to Albania and to democracy in Albania has been exceptional. We Albanians must enjoy peace, especially in this troubled period. We have not suffered war.

As a result of this cooperation and the reciprocal policy we have with the United States, many aspects of an integral national policy have, fortunately, come about after 50 years. Let us mention here Kosova and the Albanians in Montenegro and Macedonia [The Former Yugoslav Republic of Macedonia—FYROM]. Our policy and that of the Albanians beyond our borders has succeeded in creating a relaxed atmosphere with the surrounding countries.

I might say here that U.S. aid has not been solely military, but the military aspect has been somewhat more visible. We also have cooperation with the United States in such fields as the economy, the oil-drilling industry, and other areas of reform. This means that trust is part of this policy, and Albania has gained trust and continues to be a serious partner in bilateral relations with the United States.

[Blushi] Do you think that this cooperation with the United States inspires any jealousy among our neighbors or European allies?

[Hajdari] The press in the Eastern countries has not been democratized and has its own profile end vision. From it, we get the impression that the press of the countries around us has produced various views on the future of the Balkans and our relations with the United States. However, I do not think this is a problem, but merely that the Balkans are not used to U.S. maneuvers in the Adriatic, with the exception of Turkey and Greece,

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which are NATO members. I am thinking rather of the other countries of the former communist bloc. We must not forget that it was not so long ago in our history that Russian maneuvers, threatening civilization and the future of free society, were held at Vlore. There are still countries that have not completed their restructuring phase and have not defined their paths toward a new civilization. However, the truth is different, and what makes these maneuvers more attractive and interesting for Albania is the participation of Italy, Germany, and others. We have been open in inviting other countries to take part, and this should prevent Europeans from feeling jealous.

## Tirana Municipality Now Publishes Own Newspaper

*AU3101121595 Tirana TVSH Television Network in Albanian 1900 GMT 30 Jan 95*

[FBIS Translated Text] Tirana Municipality now publishes its own newspaper. In it, you will find articles and information on the municipality's activity, the role of the municipal council in local government, and many facts and figures from the Offices of Statistics—veterinary, trade, health, and culture—and decisions and orders of the municipality. Its editor in chief is Mr. Muharrem Topi.

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### Minister Suspends Appointing Overseas Counselors

*AU3001213195 Sofia Khorizont Radio Network in Bulgarian 1800 GMT 30 Jan 95*

[FBIS Translated Text] Trade Minister Kiril Tsochev has temporarily suspended the procedure for sending trade and economic counselors abroad. He stated this at a news briefing prior to today's cabinet meeting. In his view, foreign trade representations form part of the Trade Ministry's organizational structure, in respect of which no decision has yet been adopted.

Tsochev said that the caretaker government had been overhasty in arranging competitions for the position of trade counselors abroad.

### Minister Pledges 'Continuity in Military Diplomacy'

*AU3001212795 Sofia BULGARSKA ARMIYA in Bulgarian 26 Jan 95 pp 1, 3*

[Interview with Vice Admiral Dimitur Pavlov, Bulgarian defense minister, by Colonel Vladi Vladkov; place and date not given: "Sense of Measure in Ambitions and a True Idea of What Is Wanted"]

[FBIS Translated Excerpt] [Vladkov] Mr. Minister, you are not a new figure to the servicemen in the Bulgarian Army. However, they probably expect something new from you in your management of the Defense Ministry.

[Pavlov] [Passage omitted] In its future activity, the Defense Ministry will concentrate on the following main lines: remodeling the body of legislation in the sphere of defense and the Armed Forces; ensuring the combat readiness of the Armed Forces; guaranteeing financial, scientific and technical, and military economic supplies to the troops; international cooperation; systematic personnel training and planned social activities; and cultural and informational activities.

I will regard it as a matter of primary importance that the work in all these fields be carried out in a concrete and positive way. [passage omitted]

[Vladkov] You will probably have to face many problems: a shortage of funding, spare parts, and fuel; difficulties in the social sphere; individual cases of corruption; and a lack of the necessary legislation.... Where will you start?

[Pavlov] It is clear to me that the chief and most serious problem that my team will face will be how to secure funds for the Army and, first and foremost, the issue of the defense budget.

It is my personal conviction that by achieving a reasonable balance and allocating precisely the funds that the National Assembly grants for defense needs, we will manage to satisfy the most urgent needs—both supplies of spare parts and fuel and in the social field. In the social sphere, we will not be starting from zero.

I would like to believe that 1995 will be the year in which the parliament passes the Defense and Armed Forces Act.

During my time as deputy defense minister, when I was also responsible for social problems, we managed to create a body of basic regulations that we now have to put into practice.

[Vladkov] As deputy defense minister for military-political issues under Defense Minister Valentin Aleksandrov, you established a number of contacts in the national security sphere. What direction will our military diplomacy take in the future?

[Pavlov] As in the Defense Ministry's other spheres of activity, there will also be continuity in military diplomacy.

Wide-ranging international military cooperation is one effective way of guaranteeing our security. Our efforts in military diplomacy will be directed toward overcoming Bulgaria's military isolation, establishing and developing multidirectional military contacts, expanding the treaty and legal basis for developing international military cooperation, and guaranteeing the military orders and supplies that are of vital importance in running our army.

The main directions and priorities in the Defense Ministry's international activities in 1995 will directly depend on the actual processes of geopolitical restructuring in the world, and on the sources of genuine security guarantees for Bulgaria.

[Vladkov] What kind of information policy will the Defense Ministry be following? Apart from information that is a state or military secret, will there be any other no-go areas for the mass media?

[Pavlov] We first have to draft a new information strategy and then implement it. This strategy should aim to supply up-to-date, accurate information to the servicemen and employees of the Bulgarian Army and to the outside public about the policies, intentions, and actions of the Defense Ministry leadership. In addition, it should provide the Defense Ministry leadership with feedback on problems and processes in the Army and the relations between the Army and the public.

Apart from the reporting of facts that are state or official secrets, there will be no no-go areas for the mass media.

### Need for Changes in SDS Structure 'Obvious'

*AU3001172095 Sofia DEMOKRATSIYA in Bulgarian 25 Jan 95 pp 1, 3*

[Commentary: "If SDS Does Not Change, It Will Be a Train Without Passengers"]

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[FBIS Translated Text] The need to go through with intentions to effect structural changes in the Union of Democratic Forces [SDS] prompted justified expectations. The reasons for the changes are obvious.

The proposed changes are aimed at creating new additional SDS structures to be called SDS local clubs. Those local clubs would also attract supporters who are not members of any party and, thereby, the possibility of many people's participating in adopting SDS decisions would emerge. Thus would the principle vested in Article 1 of the SDS Statute be implemented. That article points out that the SDS is a movement of parties, organizations, and citizens. Until now, a citizen who was not a party member had no way of participating in the political process of the SDS, or in the decisionmaking process.

It is precisely the participation of many people in the local clubs that must create the possibility of conducting democratic forums at which important decisions for the SDS could be adopted: for example, the possibility of electing the chairman, deputy chairmen, and secretary of the municipal SDS organizations. This leading organ would be a representative operational executive organization, or SDS bureau. Until now, the local coordinating councils, a rather complex agglomeration of parties and people, together made up the representative, executive, and operational branches of the SDS. However, it is obviously not possible for each member of the coordinating council in a municipality with 10, eight, or four parties, to attempt to represent the SDS in the municipality, resolve operational issues that emerge, and manage property at the same time.

Those prerogatives cannot be implemented by people who have not been elected for this purpose. In this context, the issue of electing authoritative and representative operative SDS organs who would be politically responsible for SDS performance and be the power that implements SDS policy could be resolved at municipal conferences.

Through the municipal clubs, the population would have the chance not only to propose candidates for elective posts but also to plan, organize, and conduct an election campaign. In many places they will replace the structures (municipal and local coordinating councils) that for various reasons have ceased to operate. During the last election campaign it became apparent that those structures, idle and torn apart by contradictions, exist on the party principle and disintegrate the moment a single party or group of parties cannot impose their candidate, after which they withdraw from the entire campaign. Such behavior is inadmissible in a political organization. It emerged that, in this case, the SDS has been seen as a train to be boarded to arrive at a certain station, after which one could get off the train, wait for one travelling in another direction, and board it. This is the kind of thing that should not be permitted in a self-respecting political entity.

Another important reason for insisting on implementing the intention to effect structural changes is the fact that in many coordinating councils, personal interest prevails over an unbiased political approach to problems. This phenomenon has developed in various municipalities where personal interests have been protected through partisan and apparatus games. For example, friends and relatives of politicians establish party structures in order to be represented at the coordinating council and gain a majority there. Thus a formal structure used to be formed that actually protected group interests and exploited the name of the SDS to this end in a grasping way that had nothing to do with SDS policy. The truth is that those half-disintegrated groups based on local and personal interests can by no means be considered channels for SDS policy or programs. This greatly weakens the ideological foundation of the SDS. We speak of the blue [SDS] idea, but at the lower level it appears that ideas have been replaced by personal interest. Is this not a political absurdity that should not be tolerated?

Obviously, the basic interest of SDS supporters is to assume power. The SDS must undertake activities leading toward this goal. This is its paramount political goal. This is why the SDS was established: to help people who do not think like Communists and are anticommunist assume power in the name of a specific program, and implement specific goals. For this purpose the SDS can and must pursue a single goal: success in the municipal elections. From this practical aspect people are viewing the SDS as the political force that might help them assume power and help their city develop. Therefore it is important that those who make the important decisions or elect the leadership not be guided by their personal interests. This could happen if there are enough of them. For example, if the SDS club convenes a municipal conference that many people attend and these people have not been prompted by their personal interest to participate in the division of some power, they would adopt decisions on the basis of general interest. They will be led by the common idea of assuming power together and electing high-quality people who would create the possibility for all of them to somehow implement the common policy and be useful.

The rule of greater democratic representation in resolving important issues must be adopted. The alternative is to close off the structures and let them stagnate. They become stagnant organizations in which a small number of people remain in the name of some internal division of the territory, something a large political formation cannot afford.

There is a chance that a hope of reaching an agreement might emerge. If this compromise is not reached, Zhan Videnov's expectations will be fulfilled. He said he does not know how many groups calling themselves SDS he will oppose in two or three months.

Some 85 percent of supporters' letters and election analyses support recommendations to effect changes such as those we have described. The SDS will remain blind and deaf if the National Coordinating Council

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does not accept the suggestions of all those who regard the loss with so much pain and issue precisely the same recommendations. If we do not head in the direction of the supporters' proposals and implement the changes they desire, we will be turning our back on our voters. This would mean a deliberate march toward perdition, something no one wants in the SDS.

## 'Obstinacy' Blamed for Skopje Dispute With Greece

*AU3001164395 Sofia DUMA in Bulgarian 25 Jan 95 p 7*

[Commentary by Georgi Georgiev: "Strategy of Obstinacy"]

[FBIS Translated Text] Skopje's attention is fixed on the date of 1 February. On that day the European Court must pronounce its postponed decision on Greece, regarding the trade embargo Greece announced against the "Former Yugoslav Republic of Macedonia" [FYROM]. It would be a delusion, however, to expect any change in Skopje-Athens relations, regardless of what the European Court's decision, i.e., the European Union [EU], might be. Greek Prime Minister Andreas Papandreou himself warned about this. This is so because Greece will not comply with an extranational decision if an agreement is not reached regarding the main demands Greece is making of Skopje. Those demands include changing the name of the new Balkan state, relinquishing the "Star of Verginia" as a Macedonian state symbol because Greece believes that historically this symbol belongs to it, and finally, abolishing Article 29 of the Macedonian Constitution, which envisages interference in the internal affairs of all neighboring countries where Skopje thinks its national minorities have lived.

Apparently, the Macedonian state leadership and governing coalition hope for one thing: that everyone will tire of the Greek-Macedonia dispute and the countries will recognize Macedonia, as indeed many of them already have, without changing the country's name. On top of everything else, the Americans, although they have not yet established ambassadorial-level diplomatic relations with Skopje, are already guaranteeing the country's independence and territorial integrity through the United Nations and the "blue helmets" contingent.

The "strategy of obstinacy" might perhaps prove successful if Skopje's dispute was with a country close or remote country, but not a neighboring one. Furthermore, the country in question holds the key to Macedonia's outlet to the sea. From this point of view the "strategy of obstinacy" has already cost Macedonia tens of millions of dollars, its development has been blocked, and its international relations paralyzed.

Only Washington employs the services of two high-ranking diplomats—Cyrus Vance and Matthew Nimitz—to mediate the Greek-Macedonian dispute, but both already are bored to death with listening to Skopje refuse over and over again. The embargo will soon mark its first year, and, since then, Macedonian diplomacy has made not a single inch of progress in seeking a mutually acceptable solution. Skopje's diplomacy has become simply the diplomacy of refusal, refusal to change the name, constitution, and flag. The issue of the dispute has already been posed to two Macedonian parliaments, but neither has shown the good will to debate the issue and propose a solution.

It is clear that Macedonia is a new state. It is also clear that its diplomacy is new. However, it is difficult to understand how a statesman such as Kiro Gligorov can fail to grasp what children already know: that politics is the art of compromise.

## Videnov Appoints Two Cabinet Staff Members

*AU2701190595 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 27 Jan 95*

[Report by Kalina Stancheva]

[FBIS Translated Text] Prime Minister Zhan Videnov today signed the first two appointments to the new cabinet's team. Mathematician Valentin Korchinov, born in 1953, is chief secretary of the Council of Ministers as of today. Krasimir Nikolov becomes chief of the Prime Minister's Private Office. He is 56 years old, was previously engaged in diplomatic work, and was formerly a deputy in the Great National Assembly.

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### Prime Minister Visits Council of Europe

*LD3001142995 Prague Radiozurnal Radio Network in Czech 1300 GMT 30 Jan 95*

[FBIS Translated Text] Prime Minister Vaclav Klaus is visiting the Council of Europe in Strasbourg today. Our special correspondent Jiri Halousek reports from there:

[Halousek] Vaclav Klaus arrived at the Council of Europe Palace in Strasbourg at about 1230. He was welcomed by Miguel Martinez, head of the Parliamentary Assembly of the Council of Europe.

Following a ceremonial signing of the Golden Book by the Czech prime minister, the two politicians held talks lasting approximately one hour in the presence of other senior officials of the Council of Europe.

Answering my request to assess the talks, Vaclav Klaus said:

[Begin recording] [Klaus] They were very, very good. President Martinez is a man of European sensitivity. I think that thanks to his Spanish background he is extremely sensitive to the realities of European countries and postcommunist countries. This my third set of talks with him, I think, and I always feel that, among the Europeans, he is one of those I will always like to cooperate with.

[Halousek] Have you agreed on some specific projects between the Czech Republic and the Council of Europe?

[Klaus] I do not think the issue should be projects; attitudes matter—attitudes toward various issues concerning all of Europe.

I think that, as regards, for instance, the enlargement of the Council of Europe and other institutions such as the European Union, he considers the chances of our country to be extremely high. The extraordinary thing is that he is the only one who clearly says that it is a mistake to put countries into groups. His experience, the Spanish experience, is that he himself had problems because of the fact that Spain was grouped with other countries as regarded its accession to the EU. [end recording]

[Halousek] Just after 1600 Vaclav Klaus will deliver an address at the Parliamentary Assembly of the Council of Europe.

### Delivers Address

*LD3001202295 Prague Radiozurnal Radio Network in Czech 1700 GMT 30 Jan 95*

[FBIS Translated Excerpt] Prime Minister Vaclav Klaus delivered an address at the Council of Europe in Strasbourg. Our special correspondent, Jiri Halousek, reports in detail. [passage omitted]

[Halousek] The deputies to the Council of Europe asked Vaclav Klaus questions on various topics. A number of them praised the successes achieved by the Czech Republic in the field of reforms. The representative of Switzerland even said Vaclav Klaus was the father of the economic miracle in the postcommunist countries.

Asked by a Spanish representative what measures the Czech Government wants to make in relation to the Romanies so that they are not discriminated against, Klaus said nobody is discriminated against in our country. He expressed a readiness to agree that a Council of Europe group of experts should come to our country to check.

### Halfhearted Steps in Integration Opposed

*95CH0097B Prague PRAGUE POST in English 3 Jan 95 p 7*

[Commentary by Zdenek Velisek, political analyst on Czech television: "Now Is the Time To Recognize Europe—In Its Entirety"]

[FBIS Transcribed Text] When we were told by Western politicians five years ago that it would take us a decade or more to become part of their world, we considered it a misjudgment or, worse, an outrageous brush-off. When those politicians tell us today that the most optimistic predictions are that our integration into Western institutions will come around the end of the century, we welcome it with something close to relief.

Our attitude makes many Western politicians happy. It allows them to diminish their commitment to us with statements like those by European Union Commission Chairman Jacques Delors: "It wouldn't be wise to proceed with undue haste," and "candidates shouldn't cherish excessive hopes." The same could be said about the recent NATO enlargement prospects and the reassuring signals addressed to Moscow.

The historical game in which Central Europe is at stake is not over. The difference between today and 1989 is that we now realize this old game continues. (To excuse our past naivete, it is important to point out that for a while after the 1990 signing in Paris of the "Charter for a New Europe," everybody was convinced that the Yalta spirit had been buried forever.)

Recently, Russian President Boris Yeltsin's harsh words at the Budapest Conference for Security and Cooperation in Europe summit, which trampled our sovereign right to self-determination, have reminded us that the Yalta spirit still lives. Even worse, the thought has begun to sprout in some minds that maintaining the old divisions could save them a lot of trouble.

The inflexibility of Yeltsin and his foreign minister, Andrei Kozyrev, and our own recognition that it is important to appease Russia help Western leaders feel delivered of the responsibility for building an integrated Europe. All the half-hearted steps made this year toward that goal—including partnership instead of membership

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and studies instead of measures toward real integration—prove that the illusion endures of a Europe that is limited to the West.

Who but the Central Europeans should raise their voices against the comfortable idea of a new, friendly, bipolar arrangement on our continent, an idea that easily could prevail in the political thinking of Western statesmen? Who else should articulate the dubious moral background of such a deal, which most probably would be made at the cost of small Central European nations?

I do not think anyone should be reassured by the vague prospect of integration around 2000. The world is changing too fast and not to our advantage or that of the EU or NATO. It is time to tear down the psychological curtain, a strange remnant of the iron one, that still separates us from our world.

It is time to think of Europe as Europe, in its borders, with this country at its heart.

### Dyba, Tosovsky Oppose Koruna's Revaluation

*AU3101072395 Prague MLADA FRONTA DNES in Czech 28 Jan 95 p 15*

[Interview with Czech National Bank Governor Josef Tosovsky and Czech Economics Minister Karel Dyba by Michal Urban and Vladimir Matejovsky; place and date not given: "Koruna's Exchange Rate Should Remain Stable, Tosovsky and Dyba Say"]

[FBIS Translated Text] For the first time since 1989, the domestic economy showed a visible recovery last year, and economic growth is expected to accelerate further this year. According to a government estimate, the GDP should rise by about 3 percent. Economic growth is often associated with inflationary pressures. Inflationary pressures can be further augmented by the growing influx of foreign capital, which increases the amount of money in the economy. According to some, this will upset the previous stability of the koruna's exchange rate. On the one hand, voices can be heard calling for the koruna's revaluation, but proponents of the opposite view are also making themselves heard. We interviewed Czech National Bank [CNB] Governor Jozef Tosovsky and Economics Minister Karel Dyba on these problems of present economic and monetary policy.

[MLADA FRONTA DNES] What should be the priority of economic policy in the Czech Republic at present? Would you prefer economic growth in 1995 even at the price of inflation above 10 percent? If your answer is yes, how much would the GDP have to go up?

[Tosovsky] Although the growth rate will not yet be striking this year, its expected acceleration can reinforce some inflationary impulses. That is why I consider it extremely important this year to harmonize the government's economic policy with the central bank's monetary policy. Accelerating growth at the expense of inflation would be shortsighted and counterproductive.

[Dyba] Inflation above 10 percent in 1995 would be too high, and I do not think it would have a positive impact on the growth of our economy. The great systemic changes have basically ended in the Czech Republic, and the issue now is to improve the functioning market mechanism. What we need is healthy economic growth based on the activities of the private sector, rather than growth artificially stimulated by higher public expenditure. The aims of economic growth and maintaining a reasonable level of inflation are not contradictory but, quite the contrary, complement one another.

[MLADA FRONTA DNES] Do you consider the present influx of foreign capital to be a positive phenomenon, or are you worried about its structure and its impact on inflation?

[Tosovsky] The influx of foreign capital is a positive phenomenon. Our domestic savings definitely do not suffice for such an accumulation as we shall need for economic development in the coming years. We do, however, have problems with the irregular [narazovy] character of capital influx and, in particular, with its considerably volatile and unstable forms. They have an impact on money supply without increasing the utilization of our production potential.

[Dyba] I do not think there is a demonstrable causal relationship between the influx of foreign capital and the rise of the price level in our Republic. Given the reality of the Czech economy, the influx of capital is a logical and natural phenomenon. Thanks to our cheap but skilled labor force, it is advantageous to manufacture here, and, given the stability of the exchange rate, it also pays off to deposit money here even if only in the form of short-term deposits. However, it is impossible to "grade" the influx of capital in any detail. I would welcome a higher share of long-term direct investment in the development of the domestic production base and infrastructure. However, even credits obtained abroad or so-called speculative capital making use of the higher rates of interest in the Czech Republic cannot be assessed as something particularly negative because, at the very least, it increases our banks' potential to extend credits.

[MLADA FRONTA DNES] Is it necessary to put a damper on the influx of capital, in your opinion?

[Tosovsky] We are now in a situation in which we have to put a damper on the inflationary repercussions of the influx of capital, rather than on the influx itself. It is true that, with a fixed exchange rate of the koruna, the central bank's possibilities in this regard are limited, and much depends on the economic policy of the government. The budget surplus is a positive contribution, but we also expect other steps from the government that will make it possible to eliminate the shortcomings of the market and will support entrepreneurial activities and thereby a speedier transformation of foreign capital from monetary form into production form.

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[Dyba] I do not consider the influx of capital harmful and, therefore, would not propose that a damper be put on it. It is necessary, however, to try to lower the rate of interest. All that really matters is stated in the report on the budget for 1995: continuing the tried-and-tested policy of a balanced budget and a diminishing tax burden; maintaining a stable nominal exchange rate of the koruna, and letting the independent CNB steer monetary and interest rate policy. The growth of money supply should not be slowed down so much, in my opinion. I believe that a combination of steps would be helpful, involving a more liberal monetary policy, greater competition on the credit market, and, in general, everything to increase the flexibility of the supply side of the economy, thereby helping to lower inflation, which, in turn, brings pressure to bear on lowering interest rates.

[MLADA FRONTA DNES] Do you consider it possible to maintain the present exchange rate of the koruna if the increased influx of foreign capital and the real revaluation of the koruna continue?

[Tosovsky] The question is the scale of this influx and the intensity of the measures that will be taken by us and carried out by the government. Of course, reacting by adjusting the exchange rate is also possible, but, for the time being, we have not dealt with this possibility too much. There is an agreement between the government and us that the exchange rate remain the fixed point in our economy. During its existence—more than four years—the fixed exchange rate has demonstrated more advantages than disadvantages. I would say that we can maintain the exchange rate, but that will require a greater measure of cooperation on the part of the entire economy, particularly the government's economic policy.

[Dyba] These two processes act against each other. The influx of capital is a consequence of domestic interest rates being higher than interest rates in advanced states, while the nominal exchange rate of the koruna is stable. A "solution" would lie in the revaluation of the koruna. On the other hand, the fixed exchange rate and the Czech Republic's higher inflation devalue the koruna in real terms, creating thereby, paradoxically, pressure for its nominal devaluation. These two pressures offset one another, which is why I would not change the nominal exchange rate.

[MLADA FRONTA DNES] When could the koruna become a fully convertible currency, in your opinion?

[Tosovsky] We will probably take the principal step in the second half of this year. How large a step this will be is the subject of negotiations that are currently being conducted.

[Dyba] We could do it even tomorrow. However, it is necessary to realize the consequences of this decision and to assess whether it will pay off. For example, with the koruna's full convertibility, the central bank will lose the power to determine monetary policy, which will have to adapt to the policies of the strongest economies of the European Union—that is, chiefly to the monetary policy of Germany. The consequences of this step can be immensely costly, as Great Britain, for example, has come to feel. We are therefore in favor of gradual steps toward full convertibility and against the politicization of this expert issue. I also warn against illusions that the expeditious introduction of full convertibility would stem the influx of capital to our country.

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### Jan Ducky Comments in Davos on Nuclear Program

*LD3001225195 Bratislava STV 1 Television Network in Slovak 1830 GMT 30 Jan 95*

[FBIS Translated Excerpt] Jan Ducky, Slovak minister of economy, briefed journalists today about Slovak participation in the World Economic Congress in Davos. [passage indistinct]

According to the words of the economy minister in Davos, we made it clear that the completion of the Mochovce nuclear power station is a necessity. Nobody, however, can limit the life span of Jaslovske Bohunice to the year 2000 or to the year when Mochovce is completed. The nuclear units of Jaslovske Bohunice will be switched off only after Mochovce is in real operation for a year. Those who have been pushing for closing down the Jaslovske Bohunice units by the year 2000 know well what they are doing. They would continue in prolonging the talks of Slovakia with interested foreign parties until the year 2000, and Jaslovske Bohunice would have to be shut down even though Mochovce would still not be in operation. In this way, we would find ourselves having to purchase electric power abroad and spending the state's hard-currency reserves. [passage omitted]

### 'No More Nuclear Power Plants'

*LD3001231195 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1730 GMT 30 Jan 95*

[FBIS Translated Excerpt] One of the topics discussed at the World Economic Forum in Davos in Switzerland was the current power production of individual countries in relation to ecology.

Jan Ducky, the Slovak economy minister, gave a news conference in Bratislava after his return from the forum. [passage omitted]

In his speech in Davos, Ducky spoke about Slovakia's power-production policy and its plans for the future. He emphasized that, after the completion of the Mochovce nuclear power station, the nuclear era in Slovak power production will come to an end, and any future power-production plants will be based on gas [na baze paraplynoveho cyklu].

### Members of New Government Viewed as Leftists

*95CH0089A Prague PROGNOSIS WEEKLY in English 28 Dec 94 p 4*

[Article by Jana Dorotkova: "Meciar's New Cabinet Leans Left"]

[FBIS Transcribed Text] Two and half months after he captured the national vote, Slovakia's prime minister designate Vladimir Meciar, chairman of the nationalist Movement for Democratic Slovakia (HZDS), has formed a new Slovak government with the two most extreme parties he could find in the newly elected Slovak Parliament.

At Meciar's sides on Sunday, when the twice-ousted premier signed a coalition agreement, are an unreconstructed Communist in the form of Jan Luptak, leader of the Association of the Slovak workers, and Jan Slota, chairman of the Slovak National Party (SNS).

Slota, a nationalist, stands to the left of Meciar's HZDS, a self-proclaimed centrist party that has little in the way of a political profile, and Luptak stands further left of that. There's no one to Meciar's right, and the only conservative parties were effectively wiped off the political map when President Michal Kovac swore the new government in two days later.

"This government will carry on in economic transformation, and will support European integration," Meciar told journalists.

But the team assembled by Meciar, who has earned the scorn of the West with his nationalist mouthings and anti-privatization stance, stands to quickly run into problems both at home and abroad.

Luptak is a man who claims to be the only true representative of the "working people" in Slovakia, to whom he believes economic reform has brought more damage than good. As he sees it, most of the businessmen who bought state-owned companies in privatization have done nothing to improve the economy; they only "lay off fifty or a hundred workers, and buy themselves new BMWs." Meciar, desperate for the workers' support, made him privatization minister.

And how exactly does one protect the workers' interests? Luptak says that Slovakia needs to stay out of the European Union, and rails against the influence of the International Monetary Fund on the Slovak economy.

The nationalist SNS leader Slota, on the other hand, claims his party supports Slovakia's eventual membership in the EU. But last month when European Union representatives warned against the country's drift to the nationalist left, Slota said: "I do not understand why the entire world tries to teach such a small republic what is and what isn't democratic."

SNS, whose members do little to loosen tensions with the politicians that represent Slovakia's Hungarian minority of 600,000, will now run the Ministry of Education. Is it a coincidence that having bilingual schools and legalizing the education of ethnic Hungarians in their mother tongue are major issues for the Hungarian politicians?

Meciar's comments have been quietly pro-EU and pro-NATO, but he immediately backed away from making any promises or taking any responsibility. "The activities of the political parties beyond the government program are their own business. The prime minister cannot be held responsible," he said.

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The new government coalition has 83 of 150 deputies in the Parliament—a steady, if not ironclad, majority. They seem ready to dictate a worrying set of new policies for Slovakia. What is less certain is whether they're ready to explain those policies to the West.

### New Government Stalls Privatization

*95CH0092A Prague PRAGUE POST in English 27 Dec 94 pp 1, 3*

[Article by Bill Reynolds: "Meciar's Hand of Friendship Tightens Grip"]

[FBIS Transcribed Text] Vladimir Meciar began his third term as Slovak prime minister by extending his hand to his adversaries while simultaneously pointing the finger at them.

As the political air swirled with Meciar's overtures and accusations, his new government wasted no time asserting control over the privatization process and inserting loyalists in influential positions overseeing the government and the media.

In one very important instance, Meciar literally did shake the hand of an arch rival. After his new cabinet was sworn in December 13 at a ceremony in Bratislava Castle, Meciar clutched palms with President Michal Kovac, a man he has repeatedly vowed to drive from office.

"I thank you, Mr. President, that by appointing the entire government today you have made the first step toward achieving civic reconciliation," said Meciar. "I give you my hand toward such cooperation."

The new prime minister announced the end of the country's two-month political crisis that resulted when his Movement for a Democratic Slovakia (HZDS) won the most votes in the September 30-October 1 elections but gained too small a share to govern outright. In a December 14 speech to parliament, he offered general reconciliation and said the door was open to any political leader wishing to cooperate in governing the country.

But the prime minister's old foes remain wary. Kovac, whose anti-Meciar speech last March was widely viewed as emboldening parliament to pass a vote of no confidence in Meciar's previous government, said true "political, national and civic conciliation" was needed. And outgoing Prime Minister Jozef Moravcik, who last winter led a rebellion within the HZDS against Meciar, refused to meet with his successor at all.

But if reconciliation was Meciar's order of the day, he also had revenge on his agenda. In an interview with the Czech daily MLADA FRONTA DNES, he revived his long-standing threat to investigate unspecified activities of his adversaries.

"When my government fell in March of 1994, money and bribes had the power in parliament," he told the newspaper.

The new government consists of 12 members of the populist HZDS, four members of the far-left Association of Slovak Workers (ZRS) and two members of the extremist Slovak National Party (SNS). Together, the coalition controls 83 seats in the 150-seat parliament.

The biggest ministerial surprise was the naming of 56-year-old Juraj Schenk, a previously unknown sociologist, as foreign minister. Meciar said Schenk would overcome his complete lack of experience and vowed that Slovakia would pursue a pro-Western foreign policy.

Schenk has his work cut out for him. Both the ZRS, which received the privatization portfolio, and the SNS, which received the defense minister's portfolio, are anti-European Union, anti-NATO and anti-International Monetary Fund as a matter of policy. Those positions are extreme even by the standards of the HZDS, which has been widely criticized in Western countries as anti-free market and undemocratic.

Ivan Stuajter, a columnist for the opposition daily SME, said the coalition parties would be hard pressed to stay together. That being the case, the opposition—burned by Meciar's return—will probably allow the government as much room as possible to flounder.

"The same people who in March thought Meciar had to go maybe now will leave him in place to struggle and let the people see his (negative) qualities," he said.

The first major move by the new government was to postpone the long-awaited second and final wave of privatization, which was to begin December 15. The first wave was carried out under the administration of the former Czechoslovakia, and the Czech Republic has already disposed of most of its second-wave assets.

As designed by the Moravcik government, the second wave was to have sold off state property worth an estimated 62 billion Sk ($1.9 billion). About 3.5 million people, or roughly 75 percent of all Slovaks, have bought coupon books for participation in the second wave.

Meciar, who has long favored a slow route to privatization, has expressed doubts about placing strategic economic sectors, such as energy, in private hands. In announcing the postponement of the second round, new Finance Minister Sergej Kozlik of the HZDS said the Moravcik government failed to make adequate preparations. He set no new date for the round to begin.

SME's Stuajter said it was the onset of the second privatization wave, which is generally regarded as an enormous source of political spoils, that may well have compelled Meciar to form a government when he did. In addition, the upcoming vote on the state budget and impending legislation to change the role of the National Property Fund, which administers assets slated for privatization, also provided incentive, he said.

In other moves aimed at consolidating the new government, Stefan Balejik of the ZRS was appointed head of

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the Supreme Inspection Office, which is responsible for ensuring that the various departments of government follow the law. The move was made despite accusations by members of the opposition that Balejik had been an agent of the Czechoslovak secret police (StB).

Two moves were made to put loyalists in key positions for monitoring the media. In November, parliament had dismissed the chairman and five of the nine members of the Council for Radio and Television Broadcasting, and an HZDS majority was installed. Now the managing directors of Slovak Radio and Slovak Television have also been replaced. In addition, the Slovak News Agency director appointed under Moravcik was dismissed. He was replaced by Dusan Kleiman, who was ousted from the position in March because he used agency funds to subsidize the unabashedly pro-Meciar daily REPUBLIKA, which is managed by the agency but is legally required to operate on its own budget. Kleiman spent the past several months as HZDS spokesman.

Meciar also announced that he wanted to abrogate the *lustrace* law, which was passed by the former Czechoslovak parliament and bars former StB agents, former high-ranking communist officials and members of the communist paramilitary People's Militia from holding government office until 1996. Meciar said the law did not work in practice and was often used for blackmail.

Seventeen of 18 members of the new government, including Meciar, were members of the Communist Party at one time or another.

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## Prime Minister Horn Addresses Parliament

*LD3001230195 Budapest Kossuth Radio Network in Hungarian 1405 GMT 30 Jan 95*

[Address to parliament by Hungarian Prime Minister Gyula Horn—live]

[FBIS Translated Excerpt] [Zoltan Gal, speaker of the National Assembly] I grant Prime Minister Gyula Horn leave to speak.

[Horn] Mr. Speaker, thank you. Esteemed National Assembly, dear fellow deputies: [passage omitted] You know that the government has assessed its work in the past six months. [passage omitted] It was found that the government program can be maintained, represented, and continued. At the same time I would like to express my personal opinion that there is a need for some shifts in emphasis. I am determined to carry this out. I would like to inform you, my fellow deputies, about these shifts later on.

I would like to stress that although we discussed and examined six months, the government bears in mind the whole four-year parliamentary cycle. I want to highlight this because in the government program there are a number of tasks and goals that cannot be implemented in a short time. What's more, the implementation of these tasks and goals would require the whole four-year parliamentary cycle.

Among the merits, one can mention that the change in government took place without hitches last summer. Continuity prevailed in this country and in the way of governing. In connection with this I want to underline that the democratic and smooth functioning of state life has been guaranteed.

I also want to say that the government coalition has shown self-restraint in asserting its role of great sway in the parliament.

Naturally, that government had to struggle with objective difficulties, which a government of any composition would have had to struggle with. [passage omitted] I put it down as a great achievement that we have arrived at significant solutions, unprecedented in recent years, for long years, as regards crisis management in the fields of metallurgy, coal and uranium mining, aluminum [word indistinct], and other fields. [passage omitted]

The government work was also determined by the fact that a new type of coalition has been set up in this country. It is a coalition in which substantive cooperation is taking place. Naturally, there was a need for a desire and for time so that the two coalition parties or partners could get onto the same wavelength [oesszecsiszolodik]. In this regard I have to say self-critically that in several cases we dealt with each other instead of dealing with the country's matters. The country has not benefited from this.

I criticize myself too when I say that during the government's more-than-six-month activity, we could not really develop team-work. We could not react fast enough to a number of challenges. The disadvantage of disunity came up very strongly from time to time and in certain issues. There was not always appropriate solidarity between certain heads of ministries or ministers.

Both the government and myself drew the conclusions from all this. This is also important because the most important lesson of these six months is that there are things that need to be changed, improved, in the content, style, and ways of implementing the government program. [passage omitted]

As far as tasks are concerned, I want to stress that what we need is not a new government program but a consistent implementation of the existing one.

First of all I consider the stabilization of the financial-economic life, the financial-economic situation, to be a key issue. [passage omitted] There are those in the country and abroad who say that the country is approaching a financial crisis. I think it is a too-simplistic, unrealistic, opinion. However, the government and I have to face this or the danger of this. [passage omitted]

There is another matter I would like to raise in connection with this, because it affects the government's activity to a large extent. A number of questions are not settled in the relationship between the National Bank of Hungary and the government. According to the present system, the government is obliged to hold coordination talks on important financial and economic matters with the National Bank of Hungary. At the same time, however, the National Bank of Hungary is only obliged to inform the government. Meanwhile, steps are taken—for example the raising of the base rate by three percentage points—that certainly effect the position of the 1995 budget, the scope for economic growth, the policy of commercial banks, and let me not continue.

Let me make it clear: It is obvious that nobody—including me—would like to restrict the sovereignty of the National Bank of Hungary. However, when the government is responsible for what is happening in the country and the government is also responsible for how the problems we face are solved, an opportunity for a normal cooperation between us and the National Bank of Hungary has to be created at all events.

The next question I would like to deal with—which has had rather wide coverage in the press over the past weeks and days and which was also announced in my speech on 27 September—and, following that, various statements have also been made on it—is that we are about to prepare a modernization program. This means that a modernization program that practically lays down the conditions for our accession to the EU [European Union]—and this had been undertaken by us—is under

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preparation. Without this we cannot solve the wide-ranging problems that are implied in our accession to the EU.

To prevent misunderstanding I would like to stress that the country's financial-economic program is part of this modernization program. The latter does not substitute and is not superior to the former. It is obvious that it is necessary to stabilize the financial-economic situation in order to have a modernization program—but only as an integral part of it, for a modernization program is a much wider, overall program than a financial-economic stabilization program.

It is also widely known—and was also stressed at our Siofok meeting—that privatization has to be given new directions, without changing the program. The matter in question is not modifications to the basic principles of the privatization policy. However, privatization decisions have to be linked to the needs of the real economy. Privatization processes have to be linked to the methods and means available for government supervision, for the creation of conditions for domestic entrepreneurs—for the domestic capital—and for other very important strategic questions.

This is why I have come to the conclusion that there is a need to install a privatization minister who is able to take into consideration various viewpoints ranging from the budget up to the strategic economic policy and aspects of the real economy and, at the same time, would be answerable to the government for the process of privatization and would also represent the government's standpoint on these matters before you, here in the parliament.

You have certainly been informed by the press that there was a dispute among us in Siofok. It has also been discussed whether it is possible to have one or more economic political centers in this country, within the government. I would like to close this debate by saying that this country has only one economic political center—namely: the government—because it is the government's task to make economic-political decisions. The task of every single ministry is to prepare decisions and in this work the economic cabinet has the task of coordination.

Regarding these issues, naturally, you also know that we have come to a decision in the matter of the finance minister's resignation. I expressed my trust in every government member in Siofok yesterday. After this, Finance Minister Laszlo Bekesi submitted his resignation with his explanation. Following the debate in the deputy group he confirmed his decision regarding his intention to resign. I accepted this. At Bekesi's request we agreed that he would stay in office until the end of February. This is correct, for there are a number of matters in progress that are better completed by the finance minister. I stress this because statements that we we have no finance minister are not true. [passage omitted]

What I am determined to complete by the end of February is to have a new finance minister and a new head of the economic cabinet appointed, to find the new chairman of the National Bank of Hungary, and to install a privatization minister. This will be settled, completed during the forthcoming weeks.

What I should like to mention, among the important tasks, is that we, the government, have said that the situation of education is invariably of strategic importance. The development of education at all levels is a strategic issue, one of the key issues concerning the country's future.

Also, allow me to say something else in connection with this sphere: I, for my part, will oppose the conducting or resumption of any battle over culture. My firm opinion is that the leadership and support of culture, of creative work, cannot by any means be dealt with on the basis of party political, or narrow professional, interests. Culture, cultural assets, constitute a common national treasure. If we are perhaps unable to secure more money for those who foster culture, we at least should allow them to engage freely in creative work. [applause]

As regards social issues: We have managed to fulfill what we undertook: to help those most in need. Much has happened in this sphere, from handling the homeless in a different way and increasing GYES [child-care assistance], to providing compensation for energy prices. It is also apparent that prosperity and the improvement of living conditions depend decisively and basically on economic performance. Therefore, the government cannot promise more than what it has done so far in this sphere.

The other task that has been described as important is public security. We must not put up with what is experienced in the sphere of public security. The important tasks here are preventing crime prevention, improving the capability of the police to maintain and strengthen public security, and creating social unity, first and foremost with the civilian organizations. We cannot resign ourselves to what is happening in this sphere. [passage omitted]

As regards the situation of the media, more precisely Hungarian television: The government has the resolute intention to continue to not interfere in the affairs of Hungarian Television. At the same time, we are of the view that we must seek new solutions for it from the standpoint of the budget and television's activities. We are dealing with these new solutions, and will present proposals on this to you.

As regards the social-economic agreement: We have had very rich experiences in consultations over the past months. What we undertook was useful. At the same time it must be realized that there is indeed a need to maintain the process, the dialogue; to put the coordinating mechanism into operation. We, with the social

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partners, must find a way to reach agreement on strengthening society's support for the government program.

Let me talk about our foreign policy, our international efforts. The preparation for joining the EU remains a decisive factor. I have to say that during the last six months we have got closer to the EU. I will not go into details about it.

The other thing is that we have managed to make some progress regarding our relations with Slovakia and Romania. As regards Slovakia, I do not want to expand on the basic treaty now, but I ask for the support of the esteemed parliament, my fellow deputies, so that we can at last make some progress in the matter of the Gabcikovo power station so that we can guarantee, within a relatively short time, putting a temporary end to the cause of damage. We will submit a proposal regarding this to the parliament very soon. This is what the vegetation of the Szigetkoez and the whole Danube region requires.

As regards Romania, the whole campaign launched against the HDUR [Hungarian Democratic Union in Romania] is really regrettable. It is contrary to European norms and requirements. We took a clear stance regarding this. We expect the Romanian political leaders to dissociate themselves even more firmly than to date from endeavors that try to question the HDUR's right to exist, its constitutionality, and the legitimacy of its operation. No further improvement can be expected in Hungarian-Romanian relations without it.

Finally, I take very seriously what I said in July 1994 and later in connection with the government program. I repeat that national cooperation is necessary, because all of us have to face enormous tasks and challenges. In my opinion, this national cooperation must be demonstrated first and foremost in this National Assembly. That is why I welcome the fact that the esteemed opposition parties have also accepted the invitation to Wednesday's six-party meeting. We would like to hold a discussion on coordinating the most important issues related to the work of both the government and the parliament.

I would also welcome it if on the basis of this six-party consultation we could discuss not only issues of further ties and cooperation but also the improvement of the atmosphere within parliament, civilized relations within parliament so that the improved cooperation in parliament wins the approval of other members of the society and parliament can demonstrate that it concentrates on the country, on join interests—not on narrow party political interests.

I ask for your support in this. Thank you for your attention.

## Outgoing Minister Warns of 'Mexico-Type Collapse'

*MS3101113995 London FINANCIAL TIMES in English 31 Jan 95 p 2*

[Article by Virginia Marsh incorporating brief interview with outgoing Hungarian Finance Minister Laszlo Bekesi: "Hungarian Coalition Loses Its Backbone"]

[FBIS Transcribed Text] With the resignation of Mr Laszlo Bekesi as finance minister at the weekend, the Hungarian government is losing the only senior Socialist minister who clearly understood the gravity of the country's economic problems and was prepared to tackle them head-on.

His resignation, which came after a battle with party hardliners over privatisation, has severely shaken the high hopes that many in the business community had for the Socialist-Liberal government, which replaced an unpopular conservative administration last summer. It raises the spectre of a government of drift likely to bow to populist pressures for less painful reforms rather than carry through the tough stabilisation measures proposed by Mr Bekesi and accepted as the coalition's official economic policy.

Even before Mr Bekesi's resignation, many doubted the government's commitment to its ambitious economic programme. It had aimed to complete the country's transition to a market economy by the end of its term in 1998 by accelerating privatisation, radically overhauling the country's bloated welfare system, streamlining public administration and finances and adopting a new fiscal system.

Instead, the first six months of an administration which promised professional government have seen constant bickering, few important measures, a slowdown in privatisation and a string of dismissals or resignations including the heads of privatisation and the central bank.

Laws such as bills on privatisation and the media promised for the autumn have been delayed. The budget for 1995 is widely considered as unrealistic with the central bank already saying further cuts in spending are necessary to meet the target deficit of 5.5 per cent of gross domestic product. The few reforms made, such as cuts in government expenditure and rises in value added tax and energy prices, were only accepted by hardliners in the cabinet led by Mr Gyula Horn, Socialist prime minister, after hard lobbying from Mr Bekesi.

Economists, including Mr Bekesi, fear that by failing to tackle structural reform and high government spending which has contributed to a $28bn gross foreign debt, the largest per capita in the former East bloc, Hungary will lose the trust of foreign investors and the chance for sustainable growth and stability.

"Just think about Mexico," Mr Bekesi warned in an interview yesterday. "That country had better economic

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indicators than Hungary, the backing of international financial institutions and the US. But private investors have turned away and led that country to bankruptcy... I hope we can avoid a Mexico-type collapse."

This year alone the government is budgeting on more than $1.2bn in privatisation revenues to pay its debt and on a similar amount of direct foreign investment to offset the current account deficit which rocketed to a record of nearly $4bn in 1994.

But these targets seem too ambitious. The resignation of Mr Bekesi has dismayed foreign investors, already rocked by the government's last minute cancellation of a high profile privatisation earlier this month, the sacking of its highly-respected privatisation chief, Mr Ferenc Bartha, another prominent reformer, and a two-month delay in naming a new central bank governor.

The uncertainty has this month wiped 287 points or 20 per cent off the country's fledgling stock exchange, which fell 69 points yesterday on news of Mr Bekesi's resignation.

One diplomat said yesterday: "With no finance minister, no central bank governor and a coalition clearly divided over economic policy, one can only expect caution and concern from foreign investors."

Few, however, expect an early end to the uncertainty and confusion sparked by Mr Bekesi's resignation and many fear it will trigger the collapse of an already strained Socialist-Liberal coalition.

Mr Bekesi's appointment as finance minister and the Socialist's acceptance of his economic reform package were important factors in persuading the Free Democrats, the junior partners, to join forces with the former communists. Analysts say Mr Bekesi's removal and a shift to a more populist economic policy will only exaccerbate differences between the two ruling parties.

## Bekesi Explains Reasons for Resignation

*AU3001182695 Budapest MAGYAR HIRLAP in Hungarian 30 Jan 95 p 3*

[Interview with outgoing Hungarian Finance Minister Laszlo Bekesi by Pal Emod; place and date not given: "The Day's Interview With Finance Minister Laszlo Bekesi, Who Has Resigned: A Single Economic Policy Center Is Needed"]

[FBIS Translated Text] [Emod] Did you not overshoot the mark when you offered your resignation, possibly thinking that you might come out of it strengthened?

[Bekesi] Since I was not led by tactical considerations, it is not worth considering this now.

[Emod] Was there a vote on the issue in the parliamentary group?

[Bekesi] No, this does not come under the parliamentary group's jurisdiction. The prime minister makes the decision. Of course, a finance minister has no chance of working effectively and successfully without the political support of the parliamentary group and the party, and without good cooperation with the prime minister. Therefore, a different consideration led me to this decision. Naturally, the ideas that the prime minister has formed in recent weeks, the assessment of the government's work, and the debates on its economic policy made it clear that there is a rather wide difference between the prime minister's ideas and my own. These differences had to be discussed so that we could decide which direction to take next.

[Emod] Is Bekesi's economic program possible without Bekesi?

[Bekesi] I believe so.

[Emod] I believe former party general secretaries and government heads said the same thing when they fired the reform forces.

[Bekesi] I am not a head of government, but only a finance minister who has resigned. My opinion is that, fortunately, what we have is a government program rather than a Bekesi program. The Bekesi program can be dropped at any time, but it is not easy to do the same with a government program. The latter can be dropped only if there is an alternative, a different economic program, one that forms a united system and is able to show a different way out.

[Emod] We do not have a different economic program at the moment—or are you aware of anything?

[Bekesi] I assume from the debate and the difference of opinions that there is no chance of effective governmental cooperation, and this has two reasons and two outcomes. One: If, after the bitter and difficult step taken on 28 January, the prime minister and the government realize that there is no point in slowing down the economic stabilization program for various (political, social, and popularity) reasons, then they will implement it on the basis of my recommendations but without me. I can see a chance for this. The government does not have a few months to ponder this; therefore, it has to act.

The other possibility is: An alternative must be offered that would make the transition more comfortable, and the bitter problems accompanying stabilization might then be avoided. In my view, tough measures cannot be avoided. However, if such a program exists—although I have not yet seen it—then its implementation will not be hindered by my presence. Therefore, through my departure, the above chance will be opened for the prime minister and the government. Naturally, I do not know which of the two the prime minister will use.

[Emod] Your argument is clear. Nevertheless, the question remains: Is it possible to launch growth without the stabilization that you planned for 1994 and 1995?

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[Bekesi] No, it is not possible. In fact, I am convinced that the stabilization program is even more important because of the higher than expected balance of payments deficit in 1994. Think of Mexico, all of whose indicators are better than those of Hungary. The international financial institutions and the United States supported it. Nevertheless, private capital lost confidence because of the huge balance of payments deficit, and this brought the country to bankruptcy. The same happened to India a year ago and to Turkey two years ago.

[Emod] You mean....

[Bekesi] If the government does not decide to launch true reforms, including the transformation of the state administration, which we have been delaying for years, and if we do not speed up business-type privatization based on the incorporation of capital, then the lack of balance will become unmanageable. I hope it will be possible to avoid the example of Mexico.

[Emod] Does this mean that the establishment of a privatization minister was not the only reason for your resignation?

[Bekesi] Of course not. In fact, this was a minor factor.

[Emod] Were you instead afraid that another economic policy center was being formed within the government?

[Bekesi] This is precisely what it is about. In Siofok I told the prime minister that the government has to meet the following three requirements to permit economic policy to be successful. First: The stabilization element cannot be weakened. Therefore, it is inexplicable for the prime minister to be making some people write a so-called modernization program that is woolly and undefined, and which no one has discussed, which will outline a desirable image of the future but does not know the way leading to it. In addition to this, the government has not discussed this program, so something woolly is being drawn up.

Second: The privatization bill, which is adequate, was drawn up as a result of many compromises and is to be presented to parliament tomorrow and should be passed. At the moment, I cannot see any guarantees of this, because it is being attacked, for example, by the trade unions, the left, and so on.

Finally, the third element, which might now be the most important one: The government should preserve unified economic policy concept and direct the economy from a single center.

[Emod] However, the prime minister's ideas appear to be different from this when he takes privatization out of your jurisdiction. Is this what you cannot accept?

[Bekesi] As I have said, rather than with this ministerial post, I have problems with the prime minister's setting up a second redistribution center. The program office corresponds to the "working program to boost the economy," which was set up by the Hungarian Democratic Forum in the spring of 1992. Although this parallel might not be perfect, I also believe that the new Ministry for European Integration might involve the reincarnation of the Ministry for International Economic Relations, which is again an economic policy issue. Since the above three conditions will not be (and have not been) met, the finance minister will obviously be made a scapegoat. However, there are two things for which I am not suitable: to be a magician and to become a scapegoat.

## Government 'More Stable' After Bekesi Resignation

*LD3001224395 Budapest Kossuth Radio Network in Hungarian 2100 GMT 30 Jan 95*

[FBIS Translated Text] [Announcer] The four-and-a-half-hour meeting of the coalition coordination council has just ended. The politicians have not given interviews but have issued a joint communique. Judit Laszlo reports:

[Laszlo] Zoltan Gal, speaker of the parliament, told journalists in a laconic manner that the communique shows that the coalition is more stable than ever.

According to the communique, the two parties agreed that Finance Minister Laszlo Bekesi's resignation would not lead to a change in the work of the government. They continue to consider the coalition agreement to be valid. Departure from it is only possible with the agreement of the partners. There is no change in the government's economic program. Thus, stabilization is still the main focus.

The communique says that in keeping with the coalition agreement, they will only support amendment proposals to the privatization bill—already approved by the government and put on the parliament's agenda of the parliament—that have been supported by the parliamentary groups of both government parties.

The heads of the parliamentary groups of the coalition parties will be kept informed about the development of the so-called modernization program.

If the inter-ministry coordination work on the media bill does not begin by the next session of the coalition coordination council, the sides will discuss the issues concerning the adoption of the media bill at the next session of the coalition coordination council in the presence of the ministers of culture and of justice.

The communique says the prime minister will, within two weeks, propose people to fill the vacant government posts [finance minister, state secretary in charge of privatization at the Office of the Prime Minister, and political state secretary at the Ministry of Culture] and the post of chairman of the Hungarian National Bank [MNB].

According to the communique, the coalition parties will do everything they can to see that the posts of

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ombudsmen, constitutional judges, and members of the MNB's supervisory committee are filled as soon as possible.

## New KDNP Chairman Interviewed on Party Goals

*AU3101132195 Budapest NEPSZAVA in Hungarian 30 Jan 95 p 3*

[Interview with newly elected KDNP Chairman Gyorgy Giczy by Rita Csik in Budapest; date not given: "Our Goal Is To Become a Big Party"]

[FBIS Translated Text] [Csik] What is your most important task after being elected?

[Giczy] The major lesson of the parliamentary elections of 1994 is that people easily drift from one party to another. We are now trying to form a party on the basis of Christian values, a party that offers the voters a serious alternative. We will represent the values we believe in more firmly and more consistently. We are striving to make the Christian Democratic People's Party [KDNP] a balanced party. We must surpass the present situation, in which the party hardly achieved the parliamentary threshold.

[Csik] Will there be any change in the party's line? Will the KDNP drift toward the right?

[Giczy] The KDNP is a center-right party. For me, center politics does not mean that we are equally acceptable as coalition partners for every other party. Earlier, even the Alliance of Free Democrats [SZDSZ] regarded a government coalition with us as possible. This is not good. I am interested in what the voters think about our party, not what the other parties think about us. So far, we have presented ourselves as an important party. Our goal now is to also become a big party.

[Csik] Recently, the leaders of the Hungarian Democratic Forum [MDF] and the Federation of Young Democrats [FIDESZ] negotiated the possibility of stronger cooperation. They also signaled that they were counting on the KDNP in the civil alliance. Are you ready to meet with the heads of these two parties?

[Giczy] We do not exclude meeting with any important political force. It is too early to speak of any alliance in the current situation. We will be able to become serious partners for the Hungarian political parties when we become stronger ourselves. The cooperation of civil parties emerged at the local government elections. I find it condemnable that the two other parties have already begun negotiations on further cooperation. People do not like to jump on a moving wagon. After the bilateral talks, the other parties claimed that the KDNP was busy with personnel renewal and that this is why they did not include the KDNP in the talks. But the FIDESZ will also elect a new leadership in March. So nothing would have hindered our inclusion in the talks and the presence of Laszlo Surjan and myself at the meeting. We have historical cooperation with the Smallholders Party, but a lot of changes must also take place in the Smallholders Party in order to really have partnership relations.

[Csik] Former KDNP Chairman Laszlo Surjan has been elected deputy chairman. How did you receive this decision?

[Giczy] I very much welcomed this. This signals the continuity of our leadership. The previous rumors of a break in the party or of our disintegration have proved to be false.

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### Walesa Sets Deadline for Naming Candidates

*LD3001133995 Warsaw Radio Warszawa Network in Polish 1300 GMT 30 Jan 95*

[FBIS Translated Text] During his regular weekly meeting today with Prime Minister Waldemar Pawlak, President Lech Walesa demanded that candidates for ministerial posts in the Ministry of National Defense and the Ministry of Foreign Affairs and a candidate for ambassador at the Holy See be presented to him by 3 February, presidential spokesman Leszek Spalinski said at a news conference.

If the prime minister fails to present the candidates by that date, the president will take steps to prevent the paralysis of the state, the spokesman said. He added that the steps would be in accordance with the law. This also includes the dissolution of parliament.

Asked about prime minister's reaction to the president's demand, the spokesman said that it was calm. He added that Waldemar Pawlak was going to the United States but would be back before the date set by the president.

### Walesa To Meet With Sejm Leadership on 31 Jan

*WS3001155995 Warsaw ZYCIE WARSZAWY in Polish 28 Jan 95 p 2*

[Article by POZ: "Will the President Encourage the Sejm To Dissolve Itself?"]

[FBIS Translated Text] According to a report carried by RZECZPOSPOLITA, President Lech Walesa has agreed to meet with the Sejm leadership (Sejm Presidium and leaders of parliamentary clubs).

It is worth recalling that the person who initiated the meeting was Union of Labor [UP] leader Ryszard Bugaj. He wanted Walesa to present the parliament members with his further plans regarding the Sejm (4 February is the deadline for dissolving it). He was also hoping that the president would be informed that the stand of the parliamentary groupings is more or less uniformed, that they are against plans for holding new elections.

The two meetings between Sejm Speaker Jozef Oleksy and President Walesa made it possible to schedule the president's meeting with the Sejm leadership on Tuesday. The subject the president wanted discussed at that meeting was the Sejm's decision to dissolve itself. Because the Sejm groups did not responded to this suggestion very favorably, Walesa agreed to discuss whatever was proposed by the deputies.

According to unofficial information, some leaders of the Democratic Left Alliance [SLD] spread rumors about an understanding, reached by the president and themselves, aiming at the dissolution of the Sejm. Such a decision would allegedly be backed by the SLD, Freedom Union, the Confederation for an Independent Poland, the Non-party Bloc in Support of Reforms, and even part of UP. However, this information is not given much credence by the Sejm deputies. It is rather regarded as a method of exerting pressure on Polish Peasant Party officials to make them field a common candidate for president and to make changes in the Pawlak Cabinet.

The Belweder itself is also trying to give the impression that the SLD has unofficially approved the idea of self-dissolution. We found out from circles close to "Solidarity" that, while representatives of the union were on one of their visits to the president, Walesa ostentatiously called the Sejm speaker on the telephone and discussed self-dissolution with him. Later he suggested that Oleksy was prepared to agree to it, and that all of this was only a matter for further discussions. This gave Marian Krzaklewski's people some hope for new elections.

### URM's Preparation for Pawlak's U.S. Visit

*WS3001160095 Warsaw ZYCIE WARSZAWY in Polish 28 Jan 95 p 2*

[Article by L. Kowalska and P. Smolowicz: "Mysterious Mr. Czaja"]

[FBIS Translated Text] The Polish Ministry of Foreign Affairs [MSZ] found out about the prime minister's visit to the United States only a week before it will actually take place—that is, on 24 January, we learned unofficially. The information came from the Polish Embassy in Washington, which Waldemar Pawlak's envoy got in touch with. He was supposed to prepare the visit of the Polish prime minister to the United States on his own.

No one in the Office of the Council of Ministers [URM] was able to comment on this information in any way. Nor was anyone able to better identify the prime minister's special envoy, who was to prepare the visit behind MSZ's back. It is only known that his name is Czaja; however, he is probably not even a formal employee of the prime minister.

From the MSZ we received a statement by Ministry Spokesman Krzysztof Sliwinski: "Since the prime minister's visit is in its entirety being prepared by URM, the MSZ has nothing to say about the visit."

It is worth recalling that lack of coordination of foreign trips between the MSZ and URM was one of the charges leveled at Pawlak by the outgoing MSZ head, Andrzej Olechowski. His resignation has not been accepted by the president yet—he will do it after his successor is found.

Also unofficially we found out that the MSZ is trying to persuade Pawlak that, in the context of his visit to the United States, Poland should give up the plan of concluding a contract for the sale of arms to one of the Middle East countries. The Americans have put this country on the so-called negative list of countries that support terrorism. Because of the stand taken by the United States, the Czech Republic and Hungary have already abandoned similar contracts.

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Pawlak has been invited to the United States by the Prayer Committee [Komitet Modlitewny] of the U.S. Congress.

### Further on Trip

*WS3101143595 Warsaw ZYCIE WARSZAWY in Polish 31 Jan 95 p 3*

[Article by Maciej Tysieczny, "CEG," "TW": "Foreign Policy. Czaja Suggests: Jaruzelski Can Have Breakfast Instead of Pawlak"]

[FBIS Translated Text] Waldemar Pawlak is leaving for the United States today for an unofficial, three-day visit. The prime minister accepted an invitation extended by the National Prayer Breakfast [preceding name published in English] to an annual breakfast with prayers. He will be the highest-ranking official attending. Other foreign guests will include representatives of such countries as Zanzibar. The U.S. President will make a customary, brief appearance. He will not enter any political discussions, only shake hands with guests.

Each year the organizing committee invites state leaders from all over the world. Everyone usually politely refuses and does not even send a representative. Our Ministry of Foreign Affairs advised the Office of the Council of Ministers [URM] that the prime minister should not go because the meeting is too low-level.

The prime minister was persuaded to go by Jan Czaja, a member of the Polish Peasant Party. Formerly a member of the United Peasant Party, he was responsible for contacts with fraternal peasant parties. He was also a deputy to the Sejm of the 10th term. When we inquired about him at URM, which is responsible for organizing the prime minister's visit, no one was able to say anything about him.

Czaja convinced Pawlak that this is a rare opportunity to meet so many eminent figures in one place at one time. He said that, when he attended the breakfast in 1990, 30 heads of state and governments and a huge number of foreign ministers appeared. He suggested that, if the prime minister could not go himself, the invitation should be extended to Lech Walesa or Wojciech Jaruzelski.

Czaja also suggested that Pawlak travel to the United States at his own expense so as to avoid attacks from the press similar to those accompanying his previous visit, when he used transportation services offered by U.S. companies doing business in Poland.

Aside from participating in the breakfast, the prime minister will talk with the U.S. Vice President. The meeting with Al Gore is to be scheduled by influential congressmen who are members of the breakfast organization committee.

### Poll: Kuron Gaining, Pawlak Slipping in Trust

*WS3001160395 Warsaw RZECZPOSPOLITA in Polish 30 Jan 95 p 2*

[Article by "A.W.": "Trust For Politicians in January '95: The Prime Minister the Biggest Loser"]

[FBIS Translated Text] *Public trust for Prime Minister Pawlak is declining. Nearly half of the Poles do not trust President Walesa. A poll carried out by the Public Opinion Research Center [CBOS] in January shows Jacek Kuron as the most trusted politician.*

The most recent CBOS poll states that poll results are unquestionably influenced by the conflicts that have been rocking our political scene over the past few months, such as the appointment of the defense minister, the resignation of the foreign minister, the affair of the InterAms II company and its ties to the prime minister, and the tax bill controversy.

Trust for the majority of politicians whose names are associated with the above conflicts has diminished. The largest changes in rating over the past year have been noted in the case of the prime minister, who was trusted by 77 percent last year, 63 percent last November, and a mere 55 percent today. Trust for the president has fallen by 3 percentage points as compared with last month and is now at the 34-percent level. Trust for Andrzej Olechowski remained unchanged, yet more people currently claim to have heard of him (an increase of 5 percent), and the number of those who say they do not trust him has grown (by 6 percent).

Jacek Kuron remains one of the most popular public figures and enjoys the largest public trust. According to pollsters, none of the politicians mentioned in CBOS polls have ever generated as much trust as he does. In January, the number of respondents who declared they trust Jacek Kuron soared to 81 percent, which has widened even further the gap between him and the remaining politicians on the list. Second place in the January poll is held jointly by Jozef Oleksy and Tadeusz Zielinski (59 percent each).

Prime Minister Pawlak is currently ranked seventh, together with Aleksander Kwasniewski and Ewa Letowska. Aleksander Kwasniewski retained an invariably high level of public trust, hovering around 56 percentage points.

Apart from politically active women—Zofia Kuratowska, Barbara Labuda, Ewa Letowska—CBOS also polled the attitudes of Poles toward people in the president's close surroundings: Mieczyslaw Wachowski and Lech Falandysz. Both politicians were placed at the bottom of the list, both with negative average results: - 1.1 percent for Professor Falandysz and - 1.8 percent for Mieczyslaw Wachowski, who was also ranked lowest on the list of trusted politicians (12 percent).

Politicians toward whom lack of trust is declared most often are Lech Walesa (48 percent), Jaroslaw Kaczynski (45 percent), and Mieczyslaw Wachowski (44 percent).

The most unheard-of name was that of Professor Adam Strzembosz (more than half of those polled claim never to have heard of this politician) and the second-most-eminent leader of the Polish Peasant Party after

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Prime Minister Pawlak, Michal Strak, who was placed at the next to last place on the list.

**Trust for Politicians (in percent)**

| | Jan 1993 | Jan 1994 | Jan 1995 |
|---|---|---|---|
| Waldemar Pawlak | 62 | 77 | 55 |
| Jacek Kuron | 80 | 66 | 81 |
| Aleksander Kwasniewski | 28 | 56 | 55 |
| Lech Walesa | 50 | 43 | 34 |
| Tadeusz Zielinski | 37 | 48 | 59 |
| Andrzej Olechowski | — | 52 | 56 |

* * *

The CBOS poll was carried out nationwide between 2 and 6 January 1995 on a group of 1,230 people representative of the adult population of Poland.

## Poll Says Olechowski Would Win Elections Now

*WS3101100095 Warsaw GAZETA WYBORCZA in Polish 30 Jan 95 pp 1, 3*

[Article by Agnieszka Kublik: "GAZETA WYBORCZA's Political Fiction: Second Round of Presidential Elections in January. President Olechowski"]

[FBIS Translated Text] *Huge changes have taken place on our list of presidential candidates. Jacek Kuron is climbing briskly. Pawlak is plummeting. So is Kwasniewski, although at a slower pace. Olechowski is in the lead.*

In September we wrote "President Pawlak," in November "President Olechowski." Olechowski has won for a second time in January, but the order in the remaining 10 positions has changed.

We commissioned the Public Opinion Research Center [CBOS] to ask Poles for the third time: "Who would you vote for in the second round of presidential elections?" Respondents were presented with the same five names as before, each paired with all of the other candidates. Ten pairs were thus formed. One candidate had to be selected from each pair. Those polled were also given the possibility of choosing "not to vote."

Olechowski remains a favorite among people with higher education, in their prime, well-off businessmen, with rightist attitudes.

Waldemar Pawlak has been losing his position just as quickly as Jacek Kuron has been gaining support. In September, in the Pawlak-Kuron pair, 43 percent of people chose Pawlak, 22 percent Kuron. Currently, the situation is the opposite: 19 percent chose Pawlak, 37 percent "voted" for Kuron.

Kwasniewski lost votes among younger and well-educated people, who made up his strongest supporters in the previous polls.

### Who is Losing to Kuron?

January elections raised far less interest than those we "held" in November. In November, 67 percent of those polled declared a willingness to vote, in January 59 percent.

Interest in the elections depends on the pair of candidates. If the most serious contenders, Kuron and Olechowski, were to run in the elections, there would be 65-percent attendance. If Walesa and Pawlak were to compete for presidential office, the turnout would be a mere 46 percent.

### Olechowski Remains Elitist

Olechowski has won for the second time in a row in our polls. He remains the candidate of well-educated Poles, those who are well off, between the ages of 30 and 40, and inhabit the large cities. He is clearly more popular with the intelligentsia, management cadres, and businessmen (between ages 30 and 40).

Olechowski beats Kuron in the majority of social groups, with the exception of small towns and the weaker groups: Poles with elementary education, senior citizens, the unemployed, and housewives.

Olechowski's constituency tends to be more rightist than centrist.

### Revolution in the Rural Areas

Kuron's major success is beyond doubt the fact that he dethroned the prime minister in the rural areas, where Pawlak had been the unquestionable leader.

At the end of last year, Pawlak had more than twice as many supporters as Kuron in the rural communities (53:21). In January they nearly broke even: Kuron with 35 percent, Pawlak with 32.

Kuron did, however, fail to conquer the farmers, who currently make up the only social group that would chose Pawlak for president.

### Kwasniewski Is Growing Old

In November, we wrote that, if the youngest voters (below age 25) were the only ones to attend the elections, Kwasniewski would win. Because the leader of the Democratic Left Alliance [SLD] is quite young for a politician, we hypothesized that young people tend to vote for young candidates. Sixty-one-year-old Jacek Kuron has managed, however, to take young people's votes away from the SLD leader (38:25).

He also took away many of the votes Kwasniewski had from highly educated people (particularly the intelligentsia) and the less-qualified manual workers. He failed to

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win only among dedicated supporters of the left, but he did manage to attract a few percent even within this group.

If SLD supporters of the left were the only ones to vote, the SLD leader would easily win.

Kwasniewski's popularity is smaller in big cities and among highly educated Poles (26:33), private entrepreneurs (27:40), and churchgoers who attend Mass several times a week (11:40).

### Walesa a Man of the Right

The president loses with everyone in the basic categories. His strongest supporters are on the right. He beats Kwasniewski (50:13) and Pawlak (47:15) in this group. Not long ago, in September, he tied with the prime minister.

But he has serious rivals even on the right: Olechowski is more popular (49:27) and Kuron, albeit barely within limits of the sampling error (38:35).

Traditionally, Walesa's constituency is made up of the oldest age groups, ardent churchgoers, the unemployed, and housewives.

| | Sep 94 | Nov 94 | Jan 95 |
|---|---|---|---|
| | Percent | | |
| Olechowski: I will not run if I am to contend with Walesa | 34 | 43 | 38 |
| Kuron: I will not run unless I am supported by my party | 26 | 29 | 36 |
| Kwasniewski says nothing | 37 | 38 | 28 |
| Pawlak: I do not rule out the possibility, but I prefer to be prime minister | 41 | 36 | 21 |
| Walesa: I will win because no one is better | 17 | 19 | 18 |

The average support the candidate received in all four "rounds" shows the position of a given politician in our fictitious second round of elections as compared with the remaining candidates. The results do not add up to 100 percent.

**Who Would Win the Second Round of Elections? Distribution of Votes in Percent**

| | Jan 95 | Nov 94 | Sep 94 |
|---|---|---|---|
| **Olechowski would win with:** | | | |
| Kuron | 36:29 | 45:22 | 36:27 |
| Kwasniewski | 38:25 | 38:34 | 29:35 |
| Pawlak | 40:19 | 41:33 | 30:40 |
| Walesa | 38:14 | 46:14 | 39:14 |
| **Kuron would win with:** | | | |
| Kwasniewski | 37:25 | 29:39 | 26:38 |
| Pawlak | 37:19 | 28:38 | 20:43 |
| Walesa | 40:16 | 36:20 | 32:18 |
| **Kwasniewski would win with:** | | | |
| Walesa | 34:21 | 44:22 | 41:20 |
| Pawlak | 28:19 | 35:32 | 30:34 |
| **Pawlak would win with:** | | | |
| Walesa | 26:20 | 42:20 | 46:15 |

Note: Table should be read in the following way: If Olechowski and Kuron entered the second round of elections, 36 percent would vote for the former and 29 percent for the latter (the remaining 32 percent would vote for neither). The remaining pairs should be read in the same way.

## Kolodko, Russian Counterpart Sign Debt Agreement

*LD3001214795 Warsaw TVP Television First Program Network in Polish 1830 GMT 30 Jan 95*

[Relayed by TV Polonia Network; passages within quotation marks recorded]

[FBIS Translated Excerpt] Grzegorz Kolodko and Oleg Davydov, deputy prime ministers of Poland and Russia, have signed an agreement on the subject of the reduction of mutual indebtedness. [passage omitted]

[Kolodko] "This is a comprehensive agreement, clearing away the remains from that period. I would say that the historical nature of this agreement rests upon the fact that in essence it consummates or crowns the period, the early period of transformation to a market economy in Poland and Russia."

[Davydov in Russian with superimposed Polish translation] "The talks with Ministers Kolodko, Podkanski, and Pol, and with Prime Minister Pawlak have closed the period of preparations for the visit to Poland by Prime Minister Chernomyrdin. I hope this visit will be an impulse toward the development of economic relations between Russia and Poland." [passage omitted]

## KERM Recommends Privatization of Oil Refineries

*LD3001220095 Warsaw TVP Television First Program Network in Polish 1830 GMT 30 Jan 95*

[Relayed by TV Polonia Network; passages within quotation marks recorded]

[FBIS Translated Text] The Council of Ministers' Economic Committee [KERM] has recommended the privatization of all Polish oil refineries within the next five years. The State Treasury will, however, retain the controlling stakes. If the government approves the program of transformations in the oil industry, gas producers and distributors will be able to set the prices freely.

[Correspondent Marek Kupis] Industry Minister Marek Pol has made an assurance that if, after the freeing of gas prices, the producers start raising them excessively, the antimonopoly office will impose penalties on them.

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[Pol] "The increase will certainly not exceed the pace of inflation and the figure we have envisaged in our state budget guidelines. Otherwise, it might completely unsettle all our inflation calculations."

[Kupis] According to the KERM program, in order to ensure the competitiveness of oil enterprises in relation to Western companies, about $3.5 billion should be invested in them over a five-year period. Initially, the investors are to be offered 20-30 percent of shares in refineries.

[Privatization Minister Wieslaw Kaczmarek] "We must set certain criteria for choosing partners. Our weakness is the fact that we do not have our own crude oil deposits. The deposits we have are not very efficient. So, when we find a partner who can strengthen our position in this respect, the next step will be agreements and obligations arising from such agreements."

[Kupis] In 1997, the customs barriers protecting our market will disappear, and Western fuels will be on sale at gas stations. [passage omitted]

According to the plan, only the enterprises that store fuels and those that transfer fuels—that is, pipelines—will remain under full state control.

### Approves Restructuring Program

*WS3101115895 Warsaw RZECZPOSPOLITA in Polish 31 Jan 95 pp 1, 9*

[Article by Jacek Czarnecki: "KERM Approved Program for Petroleum Sector; Capital, Arrive"]

[FBIS Translated Text] The Economic Committee of the Council of Ministers [KERM] approved on 30 January the program for restructuring and privatization of the petroleum sector, drawn up by the interministerial group chaired by Industry Minister Marek Pol. The group was dissolved on 19 January.

The program envisions that, by next June, the Polish Petroleum Company [PKN] SA [Joint-Stock Company] will be set up. The company would take over 100 percent of the shares of all of the companies of this sector. The enterprises of the petroleum sector would be transformed into Treasury-owned joint-stock companies. After the first phase of restructuring, PKN SA would consist of seven refineries (the Plock refinery, the Gdansk refinery, and five southern plants), Southern Pipelines Exploitation Enterprise [PERN SA—Przedsiebiorstwo Eksploatacji Rurociagow Naftowych], the Tank Exploitation Administration [DEC SA—Dyrekcja Eksploatacji Cystern]—separated from the Petroleum Products Center [CPN], and, also separated from CPN, the company of Naftobazy SA, consisting of warehouse bases with a capacity greater than 50,000 cubic meters. Included in PKN SA would also be the remaining portion of CPN SA (filling stations and wholesale bases).

Subject to privatization would also be the refineries, which, in the second phase of the restructuring process, would have approximately 67 percent of the shares in CPN SA. The remaining 33 percent of the CPN SA shares would remain in the hands of PKN SA.

Strategic investors (including foreign partners) could first buy 20 or 30 percent blocks of shares; if they met their investment commitments, they could buy even more than 50 percent of the shares. The purchase of a holding [pakiet kontrolny] must be agreed to by the Council of Ministers.

It is estimated that approximately $2.5 billion is needed for the modernization of the sector between 1995 and 1998. Most of the money is to be provided by privatization. Minister Pol is hoping that rich investors will emerge very soon.

PERN SA and DEC SA will not be privatized.

The program does not envision the presence of the Import-Export Center for Chemicals and Chemical Equipment [Ciech] in the structure of PKN SA, at least during the implementation of the first phase—that is, organizational changes. Later, however, Ciech will be able to become one of the sector's companies—for example, by investing money in the refineries or in other companies of the sector. Minister Pol said that the potential and the contacts Ciech has might come in handy to PKN in the future.

[Gasoline] prices will be set at the market price no earlier than in the fall of 1995. Starting then, the Finance Ministry will no longer set the maximum prices. The prices will be regulated exclusively by means of the excise. Minister Pol offered assurances that the government would not allow too rapid price raises to increase inflation above the planned level of 17 percent.

The Council of Ministers will discuss the program, approved by KERM, on 7 February.

### Gdansk Port Development Plans Outlined

*MM3001160895 Gdansk DZIENNIK BALTYCKI in Polish 16 Jan 95 p 7*

[Article by Jan Kreft: "Gdansk Port: Time To Invest"]

[FBIS Translated Text] "The year 1994 was the year during which we examined our development potential. In 1995 we should be able to make decisions that will decide the port's future," Marian Switek, chairman of the Gdansk Port Administration S.A., says.

"By this spring we should have signed a contract for the construction of a fuels transshipment 'T-station' stipulated in a contract with the Germans (negotiations on this have lasted over a year now). Brazilian investors are most insistent on our proceeding with the construction of a base for mineral ores. Negotiations are in progress on the construction of a chemical materials terminal and a grain base for the requirements of trade with the

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eastern markets. Before the end of this year, we should launch the construction of a bridge on the Martwa Wisla, to be financed from World Bank funds," he continues. When asked to list his biggest disappointment concerning the port's development projects, Chairman Switek unhesitatingly cites the absence of a relevant parliamentary act on Polish ports.

**Safeguarded**

Gdansk Port is at present capable of transshipping some 18 million tonnes of fuels per year, which, technically speaking, renders Poland independent of supplies of crude oil from Russia, giving it a surplus of some 4 million tonnes of cargo-handling capacity over the current processing capacities at the Plock and Gdansk oil refineries. As a result, Poland is the only country in the former Eastern bloc that does not need to depend on a single supplier of crude oil. Now Germany wants to have a similarly advantageous situation as regards oil supplies to its refineries in the eastern Laender.

The Port Polnocny [Northern Port] fuels transshipment station stipulated in the German contract and also the necessary infrastructure—that is, pipelines, oil tanks, etc.—will be built by Polish contractors.

"Once we have completed the construction of the 'T-station' for the Germans, we expect to be transshipping about 15 million tonnes of fuel per year. Three oil transshipment stations will safeguard sufficient elbow room for us to ensure that both the Germans and we are comfortable here," Switek says.

**The Gas**

Before long, work is scheduled to begin on a liquid gas terminal for the joint-venture company Gaspol Limited. Gaspol's contract with Gdansk Port awaited approval from the Privatization Ministry for six months. In the end, the ministry announced that it had no reservations about the project.

In stage one of the project, which is to last a year and a half, the company will invest $22 million in the terminal, where it will build a 6,000-tonne liquid gas tank accompanied by a transshipment infrastructure that will allow the base to accept liquid gas carriers up to 4,000 deadweight tonnage [DWT]. In the second stage, Gaspol plans to build a 6,000-tonne liquid gas tank and to expand the terminal to enable it to accept liquid gas carriers up to 10,000 DWT—all that at the cost of a further $10 million. The transshipment base is to handle some 500,000 tonnes of liquid gas per year.

**A Bridge to the East**

The third major project scheduled to be undertaken by Gdansk Port is the construction of a bridge across the Martwa Wisla. This will cost about $21 million. The bridge will be of crucial importance to the entire Tri-city [Gdansk-Gdynia-Sopot] conurbation, and, most of all, to the proposed industrial development of 400 hectares of the backup area adjoining the Port Polnocny.

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## Defense Ministers Discuss Cooperation, Hungary

*AU3001173495 Bucharest Radio Romania Network in Romanian 1400 GMT 30 Jan 95*

[FBIS Translated Text] German Defense Minister Volker Ruehe, accompanied by a military delegation, began a visit in Bucharest today at the invitation of Romanian National Defense Minister Gheorghe Tinca.

The first moments of his visit in our country consisted of a round of talks he had with the Romanian delegation headed by Defense Minister Tinca. In the brief press statements made after their meeting, the two dignitaries assessed the talks as useful. The Romanian minister considered them very interesting, while the German guest termed them very positive. Tinca mentioned that he presented the stage reached in the reform of the Romanian Army and, that they also broached our country's security context. Ruehe expressed Germany's readiness to back Romania's integration within Euro-Atlantic structures and said that, to this effect, the German side will participate in the military exercises to be held next September in our country within the Partnership for Peace program.

Ruehe then held talks with State Minister and Foreign Affairs Minister Teodor Melescanu.

According to the press statements made by these two ministers, their talks concentrated on the relations between the two countries. Ruehe stressed the very positive level of bilateral cooperation and expressed the German sides wish to intensify ties over the course of this year. The German side was also interested to learn about the Romanian assessments with regard to our region.

Melescanu, in turn, pointed out that, currently, bilateral military cooperation is actually an extremely important part of the political and security cooperation between the two countries. From this point of view the Romanian side greatly appreciates the presence of the German defense minister in our country.

According to our correspondent Doina Saiciuc Melescanu expressed thanks for the firm support given by Germany to our country with a view to its integration into European structures. He said Germany was the country that most supported Romania, and not solely on the political plane but also on a very practical one, by its participation in all financing mechanisms.

Melescanu said that he also referred, during the talks, to the importance given by our country to the scheduled visit to Romania of German President Roman Herzog, and he expressed the Romanian side's hope that the visit will represent a very important political signal, as well as a sign for German businessmen. Our correspondent reports that the visit of the German president will probably take place in May.

According to Minister Melescanu, German Defense Minister Ruehe also showed interest in the current stage of, and prospects for furthering, Romania's relations with all its neighboring countries. One of the issues they broached had to do with the prospects for Romanian-Hungarian relations—the Romanian position toward those ties—as well as the working out and signing of the bilateral treaty. In the Romanian foreign minister's opinion, there are two categories of circumstances lending positive prospects to those ties: the first consists of the traditional historic ties, the weight of bilateral trade in each other's foreign trade balance, as well as the fact that both countries belong to the same region; the second refers to the priority strategic goals in the foreign policy of both countries, namely their integration within European structures. Mr. Melescanu said: Everyone knows that such integration also presupposes the bettering of our bilateral ties and our political dialogue.

Melescanu recalled that one of the constant preoccupations of Romania's Government is to ensure—with respect to the ethnic Hungarian population and other ethnic minorities—observance of the highest European standards. Mr. Melescanu also said that Romania intends to be one of the first countries to sign the Council of Europe-elaborated basic convention on ethnic minority rights and duties.

## Melescanu, Hungarian Official on Third World Ties

*AU3001213995 Bucharest Radio Romania Network in Romanian 2000 GMT 30 Jan 95*

[FBIS Translated Text] Teodor Melescanu, minister of state and minister of foreign affairs, this evening received Mr. Laszlo (Pereszleni), undersecretary of state at the Hungarian Ministry of Foreign Affairs and area coordinator for Asia, the Middle East, Africa, and Latin America. The parties emphasized the importance of consultations between the Romanian and Hungarian foreign ministries on matters of interest and expressed the hope that this exercise will be extended to other topics, including the Euro-Atlantic sphere.

During the talks, the two officials stressed that the main concern of the two countries with integration into Euro-Atlantic structures does not exclude—on the contrary, can only benefit from—the traditionally good relations with countries in other regions of the world that are extremely dynamic from an economic point of view, such as Asia and the Middle East.

According to our correspondent, the Hungarian guest conveyed to Foreign Minister Melescanu greetings from Hungarian Foreign Minister Laszlo Kovacs, as well as several ideas regarding the forthcoming meeting of the two ministers scheduled for 1 February in Strasbourg.

The two sides also tackled other issues related to political and economic integration and current security problems. They also examined certain matters pertaining to the Mediterranean dimension of European policy, which is very relevant following the Essen declaration on relations with the Mediterranean basin.

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Mircea Geoana, Ministry of Foreign Affairs spokesman, told the press at the end of the talks that the Bucharest talks are a sign of continuing normality. He also pointed out that the message of cooperation between the two foreign ministries sets a very good example, which we want to continue.

### Tokes Rejects Allegation of Weapons Possession

*AU3101113395 Bucharest ADEVARUL in Romanian 28/29 Jan 95 p 1*

[Mediafax report: "Laszlo Tokes Declares That Ethnic Hungarians Do Not Possess Weapons"]

[FBIS Translated Text] In response to the appeal launched by Gheorghe Funar, who asked that members of the Hungarian community be disarmed, reform bishop Laszlo Tokes declared on Friday, 27 January, that the ethnic Hungarians in Romania do not possess weapons. "If there is ever going to be bloodshed in Romania, we ethnic Hungarians will be the victims and not the aggressors," stated Tokes during a news conference held in Budapest.

As regards the attitude of President Ion Iliescu and Oliviu Gherman, leader of the Social Democracy Party of Romania and president of the Senate, who have detached themselves from their ruling partners, Laszlo Tokes said: "They are always doing it and it is always the same. One day they praise the PUNR and the next day they criticize it, certainly using moderate terms." "In this way, through their ambiguous attitude, they constantly mislead international public opinion," added Tokes, quoted by REUTER.

### President Notes 'Political Irresponsibility'

*AU3001181395 Bucharest Radio Romania Network in Romanian 1400 GMT 30 Jan 95*

[FBIS Translated Text] At the opening of a news conference held at Cotroceni Palace today, Ambassador Traian Chebeleu, spokesman for the presidency, read a declaration on behalf of the president of Romania regarding the extremist positions expressed recently by certain persons holding positions of leadership within the UDMR [Democratic Union of Hungarians in Romania] and the PUNR [Romanian National Unity Party].

Romania's president most firmly disapproves of those statements and actions, which display political irresponsibility.

As regards the recent actions undertaken by the UDMR, President Iliescu has repeatedly expressed his position, unequivocally pointing out that any separatist action undermining the unity and integrity of the Romanian nation—which also runs contrary to the interests of the ethnic Hungarians themselves—will be firmly rejected. Ethnic-territorial autonomy concepts have a reactionary nature and run counter to the general European trend toward democracy, while from the legal point of view any structures set up outside a legislative framework are null and void.

Romania's president shares the position expressed in the declarations issued by the government on this matter.

At the same time today's statement also points out that one cannot accept the irrational position, stormy outbreaks, or offenses addressed to the Hungarian nation as expressed by PUNR Chairman Gheorghe Funar.

After emphasizing the idea that extremist ideas mutually fuel and serve one another, the statement salutes the positions taken by numerous representatives of the various political forces belonging both to the parties that are members of the ruling coalition and those in the opposition, who disapprove of the extremists acts perpetrated by both sides.

The statement appeals to the ethnic Hungarian population to not let themselves be dragged into processes initiated by certain persons in the UDMR leadership. An appeal is also made to all political forces and the citizens of the country to remain lucid and observe the law, as well as to concentrate on the nation's genuine problems, equally important for both the majority population and the ethnic minorities.

### Funar Statement Rejects Iliescu Criticism

*AU3001211195 Bucharest Radio Romania Network in Romanian 1800 GMT 30 Jan 95*

[FBIS Translated Text] We have received by fax a statement signed by Mr. Gheorghe Funar, president of the Romanian National Unity Party [PUNR]. After reiterating the position of this political group and recalling the steps he has asked the government and president of Romania to take in the wake of, quote, the intensification of the unconstitutional, undemocratic, and un-European actions of the Democratic Union of Hungarians in Romania [UDMR] [no ending quotation as heard], Gheorghe Funar expresses his disapproval of the terms used by Ambassador Traian Chebeleu, the presidential spokesman, in presenting President Ion Iliescu's stand on this problem.

Funar president has demanded that the Romanian president take more resolute steps to defend the sovereignty, independence, unity, and territorial integrity of our country.

In conclusion, the statement reads, quote: The number and scope of the anti-UDMR actions of the PUNR would have been much smaller if Mr. Ion Iliescu had fulfilled his role and duties as Romania's president in time.

### CDR Parties Support Nation's Integrality

*AU3001214995 Bucharest Radio Romania Network in Romanian 2000 GMT 30 Jan 95*

[FBIS Translated Text] A CDR communique reads: Differences have arisen between the Democratic Union

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of Hungarians in Romania [UDMR] and other groups in the Democratic Convention of Romania [CDR] on the concept of the national state, community autonomy based on ethnic criteria, and regional autonomy. The communique was presented to the journalists by CDR President Emil Constantinescu after the conclusion of a CDR Council meeting that took place this afternoon. The communique also stresses that all CDR member-groups, including the UDMR, unreservedly support the territorial integrity of Romania, the sovereignty and unitary nature of the Romanian state, and the development of local administrative autonomy under identical conditions for all the country's counties.

This document states that all problems pertaining to interethnicity will be solved employing parliamentary means, observing the Constitution and the country's laws. On the other hand, the Council of UDMR Mayors and Councillors is considered to be an internal party structure similar to those set up by other parties in Romania, and does not affect the country's unity and integrity.

In conclusion, the communique draws attention to the fact that the tense situation in Romania can lead to our country's international isolation—including in the military sphere—with possibly serious consequences. The signatories to the communique also draw attention to the fact that this situation was caused by the four-party protocol between the Social Democracy Party of Romania [PDSR], the Romanian National Unity Party [PUNR], the Greater Romania Party, and the Socialist Party of Labor, and by the recent irresponsible statements of the leaders of the PUNR, which are proof of that group's extremist and antinational character.

The CDR communique also notes the coresponsibility of the PDSR for the statements of its ally in government, as long as, far from punishing them, it rewards that party with participation in power.

### PD Leader Censures Funar Call For Measures

*AU3101121995 Bucharest ADEVARUL in Romanian 27 Jan 95 p 2*

[Article by Claudia Gheorghiu: "Democratic Party: We Have No Right To Ban Any Party"]

[FBIS Translated Text] "Such declarations do not support our ideals, goal, and needs for national security. These declarations by Mr. Funar are the first concrete steps toward applying the protocol of the four [ruling coalition] parties, said Democratic Party, PD, vice president] Adrian Severin yesterday.

"Only those who doubt our legitimacy—and Mr. Funar probably is among those—suggest extremist measures and exclude the fact that our major objective is peace for our country on both the domestic and foreign level—not permanent confrontation. We have no right to ban any party and declare it illegal, not even Funar's party, which we do not like. We have said that the democratic parties must work in such a way as to isolate extremism, and that the most dangerous extremism—because only that one is racial—is the extremism of the majority, and not the more-or-less-accidental extremism of the minority."

### PD President Assesses Political Situation

*AU3101123695 Bucharest AZI in Romanian 21 Jan 95 p 1*

["Exclusive" interview with Petre Roman, president of the Democratic Party, by Cristian Dimitriu on 14 January; place not given: "We Are Considering Another Government for Ourselves"]

[FBIS Translated Text] Lately our political scene has been dominated by certain clarifications among the left wing—the working out of an agreement among the PDSR [Social Democracy Party of Romania], PUNR [Romanian National Unity Party], PSM [Socialist Party of Labor], and PRM [Greater Romania Party]—as well as the disagreement within the CDR [Democratic Convention of Romania] regarding their electoral protocol and the chairmanship of the alliance. The outcome of the aforementioned political equations could influence the electoral and alliance policies pursued by the PD [Democratic Party] as well. One week ago PD chairman Petre Roman gave the following exclusive interview to the reporter of the MEDIAFAX news agency.

[Dimitriu] Mr. Roman, what is your opinion as regards the conclusion of the four-party protocol, as well as the convulsions within the CDR; and what is the PD's stance with respect to these attempts to readjust our political life?

[Roman] The commotion within the parties belonging to the ruling arch, as well as within the CDR, proves that political life has not yet settled down in Romania. The concentration of the political parties into strong and representative parties has not yet been achieved. Actually, democracy has not been accomplished either. The recent rift within the PSM is further proof that groupings on the basis of doctrines or commitment toward certain policies, regardless of their type, have not yet become clear.

Besides all this, it seems to me that the most serious plague of Romanian politics has been, and still is, demagoguery, populism, and the continued use of Ceausescu-type propaganda methods, and all this leads to significant readjustments.

I have to note that the PD has been following a coherent political direction. The position of the PD is that of a modern social-democratic party, keeping an eye on the social aspects but also a party favoring efficiency. Efficiency is the element most recently added to the social-democratic concept. We are situated in the noncommunist and non-Marxist left. This is the political line that is being followed by our entire party.

[Dimitriu] Please comment on the speculations claiming that the dissidence of the [former PSM Deputy Chairman Tudor] Mohora group is due to their rapprochement to the PD, and whether or not you think the opposition intends to contact that PSM splinter group.

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[Roman] Those are ill-suited speculations that do not correspond to reality. Let us not forget that the PSM has behaved quite aggressively with respect to the PD. And until just a few days ago Mr. Mohora himself shared such views of the rest of the party. Therefore, logically speaking, such speculations are groundless, as we do not have political relations with anyone in the PSM. The ideology of the group that has split is basically identical with that of the people who decided to stay in the PSM, so I see no way in which the splinter group could join the opposition. Sure, they will criticize the government, but from a position other than that of the opposition.

[Dimitriu] What is your opinion of Mr. Mohora as a politician, and how do you appraise his decision to resign from the PSM along with six other dissidents?

[Roman] Despite all press speculations, I realize only now that a genuine rift has occurred, and I see it as a salutary one, since the PSM was about to become a Ceausescu-type party. That party used to include reform Communists as well, such as Mr. Mohora, who now will try to leave the PSM, and I hope they will manage to gel around the group that has already split from it. In this way the PSM will be practically left in the dark in a forsaken corner, and it is my belief that there is no room for Ceausescu-type things any more, in Romania

[Dimitriu] Should the PDSR sign the political pact with the other parties belonging to the majority coalition; and also, considering the declarations favorable to you made by Sergiu Cunescu and Dan Capatana, will the PD strike an alliance with the other opposition parties?

[Roman] We should be satisfied over the fact that we are receiving various attractive offers both from the CDR and from other sectors of the political spectrum. Nevertheless, we have gained the most from the fact that we are a self-sufficient party that has a clear identity. The CDR is not a party. It is not even a political movement based on a distinct doctrine. It is an electoral cartel. Mr. Cunescu's proposal to set up a three-pole alliance (Christian-democratic, liberal, and social-democratic) is an interesting electoral idea, but this cannot be achieved by the CDR, as that alliance has its own special evolution and trajectory. However, the evolution and orbit of the CDR are incompatible with those of the PD.

For the same reason one should also reject Mr. Capatana's proposal to have the PD join the CDR. The sole thing we have in common with the CDR (aside from the fact that both of us are in opposition) is our struggle to maintain the accomplishment of democracy, to make Romania's democratic institutions run well, and, to a certain extent, our struggle for reform. However, the methods we have used in our struggle for reform have not always been the same. At a certain moment we both agreed that accomplishing reform requires a few concrete steps that we could approach in a similar way. However, I believe that beyond these steps, in the following phase, the parties have to prove whether or not they are able to act on their own to convey their message to their electorate. The need for an alternative does not arise automatically just because a given government is profoundly inefficient, incompetent, and things do not work well.

[Dimitriu] There will come a moment when the PD will have to renew or cancel the cooperation protocol concluded with the CDR. What will you chose?

[Roman] The cooperation protocol you mentioned was signed by the opposition parties, without any reference to the CDR. Therefore, it has to be renewed with the same opposition parties.

Don't get me wrong. I do not say this because I want the CDR to fall apart. Generally speaking, any dissent within the democratic movement negatively affects every member, and therefore each of them should ponder its actions, correlate them with its goals so that the strength of the democratic movement increases.

Let me say once again: It is necessary, but not sufficient, for us to state that we do not agree with things as they are. There is a tremendous difference between merely saying you do not agree and telling the electorate things they are really concerned about—in other words, telling the people something and coming up with proposals that really mean something to the ordinary people who go to vote. It is through accomplishing such a task that we could attain an alternative.

[Dimitriu] Do you address this remark to the CDR or the CDR member-parties, meaning that each of them should work out an independent alternative?

[Roman] Yes, I do. I have told them this before. I also talked openly during the roundtable conference organized by the daily ROMANIA LIBERA with the leaders of the opposition parties, who are aware of the aforementioned deficiencies.

[Dimitriu] Lately PD Senator Radu Baltazar has been circulating ideas about a possible PDSR-PD coalition or electoral group, and he even claims that the PD chairman has a "new orientation" to this effect. Is there any possibility of your going for the PDSR rather than the CDR?

[Roman] Radu Baltazar has very few and very poor ideas. Judging from the way he worked within the PD, I realized that he was never really inside the party. I am referring to the situation in Arges County, as well as our situation in the Senate. Advice coming from a person who claims to belong to the PD but who did little to concretely further the activity of the PD is not credible and cannot be taken into account.

[Dimitriu] Still, there are voices both within the PDSR and the PD that think the two parties have "common final goals" and therefore the reestablishment of the old party [reference to the National Salvation Front] would be opportune. What is your opinion?

[Roman] Let us approach this issue seriously and forget the things said or written by Radu Baltazar. On paper it might seem that both we and the PD have common final goals.

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That might also be the reason for which we held five rounds of talks with the PDSR in the spring of 1994. Nevertheless, whenever we sit down and concretely discuss and examine the government facts, the political acts of the PDSR, we always discover a lot of things that radically separate us. Quite often I cannot even comprehend what the PDSR wants, in which direction the PDSR leadership wishes to steer that party. What should the PDSR sympathizers believe when their leaders are trustworthy allies, even loyal supporters, and continue to openly declare themselves admirers, of Ceausescu? It is very difficult for one to have anything to do with such a party.

Leaders of other parties enjoying PDSR political support have gravely offended the spiritual leader of the PDSR, Mr. Iliescu. They did not seem to be upset about this at all. Again, I wonder what kind of party this may be, and what the feelings of the PDSR sympathizers and the president are. So, beyond mere words and formulations—or much rather, beyond their propaganda—one sees their political and governing actions, with which we totally disagree. That is why we cannot set ourselves common goals, because we would believe in them with our minds and souls, whereas to them, these goals would be merely a facade.

[Dimitriu] Adrian Severin made a public statement claiming you are prepared to negotiate political formulas intended to set up a government that cannot be blackmailed by the extremist forces. You have also addressed a message to President Iliescu asking him to prevent the PDSR-PUNR-PSM-PRM alliance. Do you intend to take concrete steps?

[Roman] We have already taken several concrete steps to prevent an alliance between the PDSR and the extremist parties. Let me remind you: the letter dated 2 January 1994 addressed to President Iliescu, the declaration issued by the opposition parties on 14 January last year, the PD declaration, our numerous talks with the PDSR, and even our Oradea declaration calling for a new national policy.

Mr. Severin's recent statement does not contain anything new, as we have tried several times to propose a new policy. The statement merely reiterates a political idea of the PD's, that boils down to the following thing and that life confirms more and more: Transition is a difficult period. We have to follow the example of other countries that have lived through similar difficult and harsh times and where they found the necessary resources and wisdom to grant a much ampler political support to their governments. Let us establish a union granting political support for the furthering of reform.

That is the sense of the most recent action of the PD, and Mr. Severin voiced it again before they proceed to sign the protocol among the majority coalition parties.

[Dimitriu] Will the PD maintain its current political orientation and independence, as it has done so far, or do you instead intend to initiate certain political actions oriented toward certain political parties?

[Roman] Aside from the rapprochement to the PDSR, which is happening in view of our integration within the Socialist International, and happening all by itself, we are not engaged in other political actions. We do have concrete joint actions with the PDSR, such as the 10-12 February symposium in Sinaia. Aside from this, as a political opening, we are trying to determine who our potential political allies are, as we wish to participate some way or another in the governing of the country and will probably not be able to rule on our own. Obviously, we are considering another government for ourselves, a government able to reignite the nation's economic motors and restore hope to the masses. One needs partners in such a situation. That is why it is necessary for us to open and hold talks with other parties on the essential issues of a reform-oriented government.

[Dimitriu] Lately it has become fashionable to make statements announcing one's candidacy to the presidency of Romania. For the time being, in our country politicians are also accountable for the image of their parties during elections. Mr. Roman, have you considered your candidacy?

[Roman] I see that rather as a fashion as an ambition on the part of certain people. They are all afraid they might miss the boat. But this issue is not ripe yet. During my last stopover in Lipova, a professor tried to make me answer the same question in an even more direct way than yours. And this is what I answered: "This would be hasty, as we might be making the wrong decision, or at the wrong time." Nevertheless, I asked him to tell our sympathizers or the other people who, like him, were asking themselves the same question: "You can always rely on Petre Roman!"

## PDSR Said Courting Gypsy Organizations

*AU3101132395 Bucharest COTIDIANUL in Romanian 26 Jan 95*

[AM PRESS article: "The PDSR Wants To Strike an Alliance With the Romanies' Parties and Associations as Well"]

[FBIS Translated Text] Sources within the ruling party told us that all the county branches of the PDSR [Social Democracy Party of Romania] have been given orders from the center to try to attract the Romanies' organizations to join the red pentagonal [reference to the majority coalition made up of the PDSR, the Romanian National Unity Party, the Socialist Party of Labor, the Greater Romania Party, and the Democratic Agrarian Party of Romania].

To that end, they have contacted the leaders of all Gypsy political parties and associations. So far the Romanies have not been responsive to the alliance offers.

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## Silajdzic in Washington; Seeks Lifting of Embargo

*LD3001220895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1900 GMT 30 Jan 95*

[Rebroadcast of Bosnia-Herzegovina TV main evening news bulletin]

[FBIS Translated Text] The following report was received shortly before we came on the air.

Dr. Haris Silajdzic, prime minister of the government of the Republic and Federation of Bosnia-Herzegovina, met in the White House today with U.S. Vice President Al Gore. The meeting was attended by our ambassador in Washington, Sven Alkalaj.

In the course of the talks Prime Minister Silajdzic outlined the Bosnia-Herzegovina Government's standpoints and proposals regarding the efforts to maintain the peace process and further activities of the Contact Group. Prime Minister Silajdzic stressed that Bosnia considered as unacceptable any further prolongation of the situation created as the result of aggression. A deadline, a real firm deadline, must be set for the peace process and the Contact Group activities, because the current cease fire expires on 1 May. The Bosnian leadership has so far accepted all the peace plans, but the Serbs from Pale have repeatedly rejected them. There must be a proper answer to their rejections, including, in addition to other measures, the lifting of the arms embargo against Bosnia-Herzegovina, Prime Minister Silajdzic stressed.

U.S. Vice President Al Gore, expressed the U.S. Government's support for Bosnia-Herzegovina, which he considers a friendly country. It was agreed that Bosnian Government's efforts deserved full attention and that the U.S. administration would continue its active role in the efforts to speed up the peace process.

Prime Minister Silajdzic and Vice President Gore today also examined the situation surrounding the implementation of the Washington Agreements. America was asked to provide even stronger political and financial support for the implementation of the Federation as an important aspect of the entire peace process.

Prior to this meeting, Prime Minister Silajdzic met with Senator Thurmond, chairman of the U.S. Senate's Armed Services Committee. In the course of a lengthy conversation various aspects were considered of the possible lifting of the arms embargo against Bosnia-Herzegovina.

Prime Minister Silajdzic's visit to Washington continues. Today he is expected to meet Secretary of State Warren Christopher and Bob Dole, leader of the Republican majority in the Senate; as well as other prominent representatives of the U.S. Government and Congress.

## Opposition Parties Promote 'Joint Political Work'

*AU3001211095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 30 Jan 95*

[FBIS Translated Text] A meeting of the representatives of the opposition parties—the Social Democratic Party, the Union of Bosnia-Herzegovina Social Democrats, the Muslim Bosniak Organization, the Croatian Peasants' Party, and the Republican Party—was held in Sarajevo today with an aim of promoting joint political work.

They agreed on a close coordination of work, joint appearances in public, and a struggle for the preservation of democratic institutions and a multi-party system.

By critically analyzing numerous deviations in the functioning of the political system, the opposition warns that Bosnia's civic character has been brought into question, as well as fundamental determinations outlined in the platform of the Bosnia-Herzegovina Presidency.

The opposition will in future debate all vital issues, act in a coordinated fashion, and demand equal media treatment, reads a joint statement by the opposition parties.

## Presidency Members: Multiethnic Army Important

*AU3001195095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 30 Jan 95*

[FBIS Translated Text] Members of the Bosnia-Herzegovina Presidency: Nijaz Durakovic [Muslim], Stjepan Kljujic, Ivo Komsic [both Croats], Tatjana Ljujic-Mijatovic, and Mirko Pejanovic [both Serbs], in view of some public demonstrations, statements, and inspections of the units of our Army, as members of the Supreme Military Command, wish to inform the public that they are not responsible for the politicization and misuse of religion in some Bosnia-Herzegovina Army units.

This process is proceeding independently of us and despite our warnings. We remain steadfast in our position that the Army, which has defended and will defend the state of Bosnia-Herzegovina in the future, must be secular, multiethnic, and beyond the influence and competition of political parties. The Bosnia-Herzegovina Army emerged through the resistance to the aggression and was created by all patriots. They were not driven by political, party, or religious beliefs but by responsibility to the state and motherland and their sincere determination for freedom and the preservation of its existence.

If we wish to build Bosnia-Herzegovina as a multicultural society and multinational civic state, we must develop and preserve this character of our army. Only such an army will be capable of preventing all future genocide and aggression and protect Bosniaks as well as other peoples and citizens of Bosnia-Herzegovina. Within this context we point out that nobody has a monopoly on patriotism and the liberation struggle and that any limitation of the all-national front of this

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struggle diminishes the chances for the liberation of the country and the construction of a new democratic society; so ends the public statement issued by state Presidency members Nijaz Durakovic, Stjepan Kljujic, Ivo Komsic, Tatjana Ljujic-Mijatovic, and Mirko Pejanovic.

### Ganic, Smith Comment on 'Very Useful Talks'

*AU3001201595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 30 Jan 95*

[FBIS Translated Text] Ejup Ganic, member of the Bosnia-Herzegovina Presidency and vice president of the Federation, received British General Rupert Smith, the newly appointed commander of the UN Protection Force [UNPROFOR] in Bosnia-Herzegovina, today. After the talks, Ejup Ganic and Rupert Smith gave the following statements for the reporters:

[Begin recording] [Ganic] We, naturally, discussed the peace process, the role of NATO forces, the no-fly zone, a possible UNPROFOR withdrawal, of course, as well as the encirclement of Bosnia-Herzegovina and all other issues that are currently focal.

Our side is open; however, we demand from Gen. Smith that he informs the international community accurately and fully about the situation in Bosnia-Herzegovina and about what he can and cannot do, because individual international politicians are using UNPROFOR to cover up and mask everything that the international policy failed to do to prevent this aggression. In this sense, the historic responsibility of the general and his aides is to state what he can and cannot do within a given time span. We will insist on this.

[Smith, in English with superimposed announcer-read translation] I would just like to take this opportunity to thank Dr. Ganic and [Army commander] Gen. Delic for openly and frankly explaining to me (?the context of realization) of the mission that has been entrusted to me, that is, to see what can be done further regarding the cease-fire agreement and the overall peace solution. At the same time I will provide help to the people of this country, which has been suffering for long time.

I can say that we have held very useful talks on this subject. [end recording]

### Dutch Troops Held by Muslims Near Srebrenica

*AU3001162595 Paris AFP in English 1559 GMT 30 Jan 95*

[FBIS Transcribed Text] The Hague, Jan 30 (AFP)—About 100 Dutch troops belonging to the United Nations Protection Force (UNPROFOR) are being held near the Bosnian Moslem enclave of Srebrenica, the Dutch Defence Ministry said Monday [30 January].

Henk Schenkers, the ministry spokesman, said that the men were detained by Moslem militias southwest of the enclave on Saturday. He added that they did not appear to be in danger.

Negotiations are under way involving the commander of the Dutch battalion responsible for protecting the enclave and local militia leaders. Bosnian Moslems are refusing the UN the right to patrol the zone to the southwest of Srebrenica, which is situated on the edge of the fighting.

"That is part of our mission but we are not welcome there," Schenkers said. He said that the troops were in good shape and had received supplies of food, sleeping bags and toilet articles on Sunday.

"They are simply deprived of their freedom of movement: they cannot carry on with their patrols, not can they go back to Srebrenica," he said.

### UN Sets Clearance Date for Gorazde Evacuation

*AU3001144295 Paris AFP in English 1427 GMT 30 Jan 95*

[FBIS Transcribed Text] Sarajevo, Jan 30 (AFP)—The United Nations Monday received final clearances from all parties for the medical evacuation of nearly 200 Moslems and Serbs from the Gorazde enclave and will begin the operation Tuesday, a UN spokesman said here.

UN officials had wanted to start the evacuation—by air and land—on Monday but decided to wait until Tuesday as final authorization came too late in the day, Alexander Ivanko said.

He said ambulances were leaving for Gorazde, located in southeast Bosnia, while helicopters were already standing by in the area.

The operation, made possible by an agreement January 23 between senior government and Serb officials, will evacuate 128 Moslems to Sarajevo and 66 Serbs to Kopaci, a Serb town near Gorazde.

### UNPROFOR Accused of 'Double Standards'

*AU3001205795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 30 Jan 95*

[FBIS Translated Text] It is becoming increasingly apparent that the UN Protection Force [UNPROFOR] has developed numerous forms of cooperation with the chetniks, ranging from ignoring their attacks on Sarajevo and violations of agreements to open military assistance, a B-H PRESS commentary says:

Ever since the UN Protected Area was proclaimed on Mt. Igman and Mt. Bjelasnica, the chetniks have had constant access to this region. Abusing this zone, the [Serbian] aggressor's units have on several occasions blocked UNPROFOR forces, which did nothing to stand up to them to lift of blockade of their positions, let alone open fire on the chetniks. The incidents that have occurred over the past few days clearly speak of a UN mission on these territories.

Namely, on 28 January a group of our people set off to visit their homes in part of the demilitarized zone on Mt.

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Igman and Mt. Bjelasnica. On that occasion members of the UN French Battalion deployed in this area fired a burst at them. As a consequence of this action, a member of the Bosnia-Herzegovina Army 1st Corps and three civilians were injured. It is indicative that these people were fired upon from behind and that all of them will be disabled for life.

The second incident, which occurred on 26 January, is also typical. The chetniks in their usual manner violated the cease-fire by firing rifle grenades at our positions in Vrbanja. UNPROFOR which has two observation points in this area—a French and a Russian one—did not react until 1st Corps troops responded to the third consecutive chetnik attack with the same measure. Just as if they did not know the difference between a provocative and a defensive side, UNPROFOR directed fierce fire at our positions.

It is evident from all this that the UNPROFOR forces are applying double standards in carrying out their mission. When the chetniks maltreat, blockade, or openly attack them, they do not react with a verbal, let along a military warning. However, when the citizens of our republic after three years try to visit their gutted homes, they fire at them in a cowardly way from behind. They court those who apply brute force and use this same force against those who have been correct all the time and honored and implemented their agreements.

What should one think of the new French contingent? That the chetniks will get another battalion of friends and aides? The most normal and logical expectation would be that members of our army, when fired on by UNPROFOR, should respond adequately.

### Izetbegovic Meets Iranian Representative

*LD3101092195 Tehran IRNA in English 0744 GMT 31 Jan 95*

[FBIS Transcribed Text] Tehran, Jan. 31, IRNA—The leader's representative in Bosnia-Herzegovina affairs, Ayatollah Ahmad Jannati, and Bosnian President Alija Izetbegovic in Sarajevo Monday discussed current developments in that country.

Appreciating the resistance of Bosnian people, Jannati submitted to the Bosnian president a message of the leader of the Islamic revolution, Ayatollah Seyyed 'Ali Khamene'i. The message expressed sympathy with the brave people of Bosnia-Herzegovina.

Izetbegovic thanked Iran for its support for the Bosnian Muslims and expressed hope that the existing cooperation between the two countries would continue in the future.

Jannati arrived in Sarajevo Sunday night for a three-day visit.

### Hope for Bosnian 'Islamic State'

*LD3001230495 Belgrade TANJUG in English 2247 GMT 30 Jan 95*

[FBIS Transcribed Text] Belgrade, Jan. 30 (TANJUG)—Iran's religious dignitary was quoted as saying in Sarajevo on Monday he hoped Bosnians of different creeds could live together in the future independent 'Islamic State.'

News agencies quoted Ayatollah Ahmad Jannati as saying at a press conference after a meeting with Bosnian Muslim leader Alija Izetbegovic that Islamic countries should do more for Bosnia and that only if they cooperated could they stop the war.

Ayatollah Jannati, a member of the Iranian Council of Guardians (legal body), sharply criticized the five-state 'Contact Group' for Bosnia for its inefficacy in dealing with the conflict among Bosnia's warring muslims, Orthodox Christian Serbs and Catholic Croats. The Contact Group was set up in early 1994 by Russia, the United States, Great Britain, France and Germany.

'We don't expect they will be able to do something for you,' said Ayatollah Jannati, and announced Iran's greater help for the Muslim Government in Sarajevo, but did not elaborate.

He did not give a reason for his three-day visit to Sarajevo, which began Sunday. Despite a September 1991 U.N. ban on arms deliveries to the former Yugoslavia, Iran has been sending large quantities of weapons to the Bosnian Muslims, as well as Islamic fundamentalists to fight at their side against the local Serbs and Croats.

### Karadzic Supports Interests of All Sides

*LD3001225695 Belgrade SRNA in Serbo-Croatian 2031 GMT 30 Jan 95*

[FBIS Translated Text] Sarajevo, 30 Jan (TANJUG)—Radovan Karadzic, chairman of the Serb Democratic Party of the Serb lands [SDSSZ], has said in a statement for SRNA that the executive board "has fully and absolutely supported the negotiating position of the Srpska republic at the conference on former Bosnia-Herzegovina."

"The SDSSZ is determined to restore peace as soon as possible in the area of former Bosnia-Herzegovina and former Yugoslavia on the basis of respect for the realistic national interests of all the sides in the conflict," President Radovan Karadzic stressed.

In the words of the chairman of the SDSSZ executive board "many new ideas were put forward " during the four-hour debate that followed a report on negotiations betwen the delegation of the Srpska republic and the international community and the parties to the conflict.

"The session of the SDSSZ executive is expected to continue tomorrow since our present circumstances call

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for serious work on our part. Our people must not and cannot be left without its leadership and without the force which has led it toward the creation of its own state and its freedom," Karadzic said.

According to him, "major tasks which, once carried out, should help to complete the original work" are facing all SDSSZ organs, ranging from the executive and its chairman to municipal and local branches, in particular.

"We have to finish our work, all the more since we are on the verge of a great success. We believe that everything will take the desired course and that we will soon be in a position to continue negotiations on a more favorable basis," President Karadzic said in conclusion.

### Herceg-Bosna Official: Livno Under HVO Control

*AU3001201695 Zagreb VECERNJI LIST in Serbo-Croatian 27 Jan 95 p 8*

[Interview with Bosnian Croat defense spokesman Vladimir Soljic by Z. Mihaljevic in Livno; date not given; "Front Under HVO Control"]

[FBIS Translated Text] [Mihaljevic] We asked Vladimir Soljic, defense minister and deputy prime minister of the Croatian republic of Herceg-Bosna for a brief interview on the situation on the Livno front and other current topics in the area. Minister Soljic said the following about the current situation at the front:

[Soljic] To put it briefly, the situation is generally under control. The Serbian side is not observing the signed cease-fire and is regularly shelling civilian targets in and around the Livno Commune. However, Croatian Defense Council [HVO] forces are strong enough to repel all attacks.

[Mihaljevic] Can we expect the Serbian side to increase its combat operations?

[Soljic] The Serbian side cannot reconcile itself to losing territory and is unwilling to talk about a mutual and simultaneous return of territories that, prior to the war, were either predominantly Croatian or Serbian. That is why they are making open threats and these should be taken seriously. Therefore, we can expect Serbian aggressor's attacks and should prepare an appropriate response.

[Mihaljevic] Can Livno expect additional help from the government of the Croatian republic of Herceg-Bosna?

[Soljic] We shall be reviewing this possibility; however, Livno is one of the most developed centers, which could help others.

[Mihaljevic] Can you tell us anything about the mobilization of Muslims in areas controlled by the HVO?

[Soljic] We consider all citizens of the Croatian republic of Herceg-Bosna to be equal and the Muslims have three possibilities when it comes to honoring their obligations toward the army: They can serve in the Bosnia-Herzegovina Army, that is, in the 7th Corps, if they wish; they can serve in HVO units; and third, they can join the Civil Defense. All the Muslim authorities have been informed about this.

[Mihaljevic] Did you agree on this with the Bosnia-Herzegovina Government, that is, the Party of Democratic Action and the Bosnia-Herzegovina Army?

[Soljic] Such agreements have been signed and Croats in areas under the control of the Bosnia-Herzegovina Army should be treated in the same way.

[Mihaljevic] Mr. Soljic, may a Muslim in a HVO unit carry a gun?

[Soljic] I see no reason why not, but owing to the problems and unpleasantness that did arise—and which should not be disregarded—the situation should be assessed and a proper form established: For example, if the degree of trust in Livno is such that this is considered normal and both sides assess it as such, then it should be implemented. There is no official position on this; it is a matter for local authorities to assess.

[Mihaljevic] Does the same apply to Croats in areas under the control of the Bosnia-Herzegovina Army?

[Soljic] Generally yes. I will mention the example of the Croats from Zenica, who are allowed to serve in units in Zepce, while those from Tuzla are allowed to serve in the 108th Brcko Brigade.

### Muslims Using Forced Serb, Croat Labor

*LD3001145495 Belgrade SRNA in Serbo-Croatian 1404 GMT 30 Jan 95*

[Item received by fax]

[FBIS Translated Excerpt] Brcko, 30 Jan (SRNA)—Muslim units have been intensifying engineering work along the lines of separation in the Gornje Brke region, seven km southwest of Brcko. Luka Knezevic, commander of the 1st Battalion of the First Posavina Brigade of the Serb Army, in a statement to SRNA, interprets this activity as preparations for a fresh attack on this part of the Srpska republic border.

Knezevic stressed that the work is being carried out by forcibly mobilized Serbs and Croats, while the Serb side, apart from observing the enemy activities, is not taking any measures to stop it. [passage omitted]

### 5th Corps Reports Fighting at Velika Kladusa

*AU3001154295 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1400 GMT 30 Jan 95*

[Report by Muhamed Mulic from Bihac]

[FBIS Translated Text] The offensive—which has been in preparation for a long time—by the joint aggressors and the paramilitary formations of Fikret Abdic, who

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have been joined by special units of the so-called Yugoslavia, started this morning in the region of Velika Kladusa. The defense lines of the fighters of the 5th Corps have been exposed to heavy shelling from howitzers, mortars, and tanks from the UN Protected Areas [UNPA] in Croatia, and there have also been attacks by enemy infantry formations. Fierce fighting has flared up on the entire front.

The aggressor from the so-called Serb Krajina has deployed 10 tanks in the fighting. Also special police forces from Banja Luka and Pale have been engaged in the fighting. The UN Protection Force unfortunately did nothing to prevent the entry of a large number of the aggressor's soldiers and military hardware from the UNPA into Bosnia-Herzegovina, even though their checkpoints are located near the state border with Croatia.

At the time of filing this report fierce fighting, the fiercest so far in this region, is still under way with the aggressor's forces. There have been no changes in the defense lines although they have been exposed to fierce onslaughts by the enemy units.

As for the other fronts, particularly around Bihac, there has been some enemy provocative fire from all kinds of weapons. Sniper fire, antiaircraft weapons fire, and 60-mm and 82-mm mortar fire has been reported in Zegar, Vedro Polje, Klokot, and (Papari). Although it has been somewhat quieter in the areas of the Grabez Heights, the Grmusa-Srbljani Plateau, Bosanska Krupa, and Bosanska Otoka, the enemy has been firing with snipers and machine guns of all calibers.

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### Tudjman: Country Accepts Parts of Z-4 Plan

*LD3101111395 Zagreb Radio Croatia Network in Serbo-Croatian 1000 GMT 31 Jan 95*

[FBIS Translated Text] Croatian President Franjo Tudjman received Klaus Kinkel, German vice chancellor and minister of foreign affairs, and his associates. They discussed the termination of the UNPROFOR [UN Protection Force] mandate in Croatia, the EU [European Union] administration of Mostar, implementation of the Federation of Bosnia-Herzegovina, and the Z-4 Group's draft plan.

President Tudjman said that the peace process gained momentum after the decision to terminate the UNPROFOR mandate was adopted, and expressed Croatia's readiness to continue the peace process. In this connection Croatia expects the international community to inform Belgrade that the occupation of Croatian areas must stop. The president stressed that the decision to terminate the UNPROFOR mandate cannot be changed. However, Croatia is ready to examine the deployment of international observers in the process of peaceful reintegration of Croatia's occupied areas.

Minister Kinkel expressed his concern over the termination of the UNPROFOR mandate, but said that Croatia has a legitimate right to demand a peaceful solution for its occupied areas.

President Tudjman expressed full support by the Republic of Croatia to the creation of the Federation of Bosnia-Herzegovina and its confederation with Croatia, and full support for the success of the EU administration of Mostar.

The president said Croatia accepts the Z-4 plan for negotiations, but only those positive parts which will secure the establishment of Croatian sovereignty over the entire territory of the Republic of Croatia, the return of refugees, and local self-administration for the Serb ethnic community, that is, the Serb minority. In this respect Croatia cannot accept anything that contravenes the Constitution of the Republic of Croatia and international conventions on minority rights.

The following officials also attended the talks: Hrvoje Sarinic, head of the president's office; Mate Granic, Croatian deputy prime minister and minister of foreign affairs; Miomir Zuzul, special presidential envoy and ambassador to the UN in Geneva; Zeljko Matic, the president's advisor on foreign policy; Horst Weisel, the German ambassador to Zagreb; Gordan Radim, head of the president's staff; Ambassador Juergen Chrobog, political director in the German Foreign Ministry; Michael Steiner, the Contact Group member for Bosnia-Herzegovina; Michael Gerdts, the prime minister's spokesman; and Secretary Viktor Elzing.

### Sarinic on Z-4 Plan

*LD3001171295 Zagreb Radio Croatia Network in Serbo-Croatian 1600 GMT 30 Jan 95*

[FBIS Translated Text] Hrvoje Sarinic, the head of the president's office and head of the office for negotiations with the Serbs from the occupied areas spoke today to reporters about a plan for reintegrating the occupied territories into Croatia that was submitted today to Croatian President Franjo Tudjman by the Z-4 group. Tihomir Vinkovic reporting for Croatian radio.

[Vinkovic] The president stressed that Croatia would accept everything that was positive in the document, i.e. the sovereignty and territorial integrity of the Republic of Croatia, the return of refugees, and the resolutions passed by the UN Security Council and the UN General Assembly, Sarinic said. What is acceptable to Croatia regarding its internal organization is its Constitution and its constitutional law. In his talks with the representatives of the Z-4 Group, President Tudjman also stressed that the problem of the occupied territories was Croatia's internal problem. It therefore cannot be regarded as a matter concerning two equal sides.

The provision of good offices by the international community is welcomed but it cannot independently conduct negotiations, the president told the representatives of the Z-4 Group. Sarinic told reporters that President Tudjman had submitted the plan to the president [speaker] of the Assembly to enable its committees and the Croatian Government to take a decision.

### Serbs Reject Z-4 Plan

*LD3001214695 Belgrade TANJUG Domestic Service in Serbo-Croatian 2042 GMT 30 Jan 95*

[FBIS Translated Text] Knin, 30 Jan (TANJUG)—The republic of Serb Krajina [RSK] this evening refused to consider the plan for resolving Krajina-Croatia relations put forward by the mini Contact Group [Z-4 Group].

Explaining the decision following the talks with representatives of the conference on former [prethodna] Yugoslavia and members of the mini Contact Group, RSK President Milan Martic told journalists: "We ask Messrs ambassadors and the governments of the United States, Russia, and the UN Security Council for guarantees that after 31 March the UN peace forces will remain on the RSK territory as a protection force and not as observers."

Martic stressed that he saw no prospects for implementing any plan unless UN forces were present in the region. He also said that the RSK would continue to work toward ensuring that the UN Protection Force [UNPROFOR] remained in Krajina and in the region and that the economic negotiations were resumed and implemented. Asked about the content of the plan, Martic said: "We have not been shown the plan and will not consider it until we see what will happen with the UNPROFOR mandate."

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The RSK president went on to stress that it was absurd to negotiate and search for a political solution in relations between Krajina and Croatia before the second round of economic negotiations was completed. He was making reference here to the Vance plan under which the peace forces will stay in the region until a political solution is found.

According to him, the political solution must reflect the freely expressed will of the Serb people and imply its right to self-determination. In his statement the U.S. ambassador in Zagreb, Peter Galbraith, expressed regret over the decision by, as he put it, "the Serb side not to accept the plan, not to negotiate over it and not even to talk about it."

In Galbraith's words, this decision aims to press for an extension of the mandate of the peace force. "Unfortunately, these tactics will not be successful. In fact, it is certain that it will have an opposite effect," the U.S. ambassador stressed.

In his view, as far as the prolongation of the peace force's mandate is concerned, there would be more prospects if there were a chance of a peaceful solution through political negotiations and talks; i.e., if the Contact Group's plan known as the Z-4 Group Plan had been accepted. These were the words he used to explain that the group's intention was to seek political solutions through negotiations while conducting economic negotiations and their implementation.

It was our intention, Galbraith said, to take the talks further, something that would be a good basis for prolonging the mandate of the UN force. Replying to a reporter's question about the contents of the plan, Galbraith said that it attempted to balance the interests of the Serb people where it is in the majority while guaranteeing Croatia integrity within its internationallly recognized borders and a unified economic system. According to him, the most important element in the plan is the fact that all refugees and displaced people have guarantees they can return to their homes.

The talks in Knin, held under the auspices of the conference on the former Yugoslavia, were also attended by Geert Ahrens and Alfredo Matacotta, deputy cochairmen of the conference; and Russian, U.S., and French Ambassadors in Zagreb, Leonid Kerestedzhiyants, Peter Galbraith, and Jean Jacques Gaillard, respectively.

The delegation of the republic of Serb Krajina included President Martic, presidents of the assembly [speakers] Rajko Lezajic and Borislav Mikelic, Foreign Minister Milan Babic, and Lazar Macura, member of the assembly foreign affairs committee.

### Milosevic Refuses To Meet

*LD3101115395 Zagreb Radio Croatia Network in Serbo-Croatian 1100 GMT 31 Jan 95*

[FBIS Translated Text] Andjelko Perincic reporting from Zagreb Airport:

Local Knin leaders do not wish even to receive the draft peace plan offered by the group of ambassadors known as the Z-4 Group. This was stated by Russian Ambassador to Croatia Leonid Kerestedzhiyants; U.S. Ambassador Peter Galbraith; Geert Ahrens and Alfredo Matacotta Cordello, the ambassadors to the international conference on former Yugoslavia; and French Ambassador Jean-Jacques Gaillard, who represents the EU [Europear Union] presidency, following their return from Knin this morning.

They said that they had talks in Knin yesterday afternoon with RSK [republic of Serb Krajina] President Milan Martic, RSK Prime Minister Borisav Mikelic, and RSK Foreign Minister Milan Babic, who allegedly told them that if they agree to receive a copy of the peace plan, it would mean they are accepting negotiations on that plan with the Croatian Government. The ambassadors also said they asked for a meeting with Serbian President Slobodan Milosevic in Belgrade this afternoon, but he has rejected their demand.

They also said that the plan remains valid despite such behavior displayed by Knin, because the document is primarily based on UN Security Council resolutions and Lord Carrington's document of three years ago. They reiterate that President Tudjman yesterday accepted the plan, saying it is a good basis for talks, and expressing his agreement with some points and disagreement with certain provisions of the plan.

### Tudjman Confers With Germany's Kinkel in Zagreb

*LD3101100095 Zagreb Radio Croatia Network in Serbo-Croatian 0900 GMT 31 Jan 95*

[FBIS Translated Text] Croatian President Franjo Tudjman this morning received Klaus Kinkel, Germany's vice chancellor and minister of foreign affairs in the presidential palace. Following their talks Minister Kinkel said they had discussed four issues: Croatian termination of the UNPROFOR [UN Protection Force] mandate, EU [Europrean Union] administration of Mostar, implementation of the Federation in Bosnia-Herzegovina, and Serbia's rejection of the Contact Group plan for Bosnia-Herzegovina. Minister Kinkel has left for Sarajevo.

### Kinkel on Talks

*LD3101110395 Zagreb Radio Croatia Network in Serbo-Croatian 1000 GMT 31 Jan 95*

[FBIS Translated Text] After his talks with President Tudjman, Minister Kinkel said:

[Begin Kinkel recording, in German with superimposed Croatian translation] The German Federal Government is of the view that the decision to cancel the UNPROFOR [UN Protection Force] mandate is a wrong one. I stated this clearly during our talks. The second issue raised in the talks was the European Union

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administration in Mostar. I asked President Tudjman to do his utmost to make the administration successful. We also talked about the problems surrounding the Bosnia-Herzegovina Federation and expressed concern over the possibility of events taking an undesirable course. The fourth point in the talks was my trip to Sarajevo and the situation in Bosnia-Herzegovina. I am going to Sarajevo to show the Muslim side that we are behind them and that we support them but that the Contact Group will continue its efforts to ensure that the Serbs eventually accept the plan. [end recording]

### RSK Defense Minister: Preparing for War

*LD3001182895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1535 GMT 30 Jan 95*

[FBIS Translated Text] Knin, 30 Jan (TANJUG)—The Ministry of Defense of the republic of Serb Krajina [RSK] held its annual meeting in Knin today, at which it analyzed its work in 1994, drew up a plan for this year laying a special emphasis on defense preparations because of developments that may take place after 31 March.

The meeting was attended by RSK Defense Minister Rade Tanjga, all his assistants, and heads of some departments and administrations. According to Tanjga, the objective of the Defense Ministry is to give a new quality to defense preparations, in which all RSK institutions and every RSK citizen should take part.

Dwelling on Croatia's continuous threats and pressure, Tanjga stressed that all Krajina defense preparations would have been finished by 31 March, which is the deadline that Croatia has set for the UNPROFOR [UN Protection Force] withdrawal.

The RSK Ministry of Defense reckons with the worst possible option—war, and we have to prepare ourselves for it, he said. He stressed that the entire RSK community was preparing for that option and that a plan of cooperation with the Serb republic and the Federal Republic of Yugoslavia would be drawn up.

He went on to say that the RSK based its defense on all its potentials and activities—from preparing its territory for defense to preparing strategic weapons to strike deep into the aggressor's territory.

### UNHCR Worker Kidnapped, Later Released

*AU3001163895 Paris AFP in English 1619 GMT 30 Jan 95*

[FBIS Transcribed Text] Zagreb, Jan 30 (AFP)—A Swiss relief worker told Monday [30 January] how a Serb commando unit burst into his home and kidnapped him then abandoned him in a forest.

Bertrand du Pasquier, a senior official with the United Nations High Commissioner for Refugees (UNHCR), had his car seized by the three masked men, who took him from his home at Topusko in the Serb-occupied zone of Croatia on Sunday night. It was the first time that armed Serbs in uniform had entered the home of a UN worker. Until now, they have limited themselves to intercepting UN vehicles and seizing them using the threat of violence.

"I was watching television when three armed men, their faces hidden by balaclavas, burst into my house at about eight o'clock on Sunday night," said Pasquier. The three men forced him at gunpoint to leave the house and pushed him onto the back seat of his car, which is covered with UNHCR markings.

"We drove for about half an hour. I was abandoned about 20 kilometres (12 miles) from Topusko, in the Petrova Gora forest," added Pasquier, who recalled that the commando unit informed someone by walkie-talkie that they had accomplished their mission.

The UNHCR worker said he had not been hurt but thought that the incident raised serious questions about the security of UN personnel and soldiers in the territory. "If the authorities in Krajina (the Serb-controlled area of Croatia) want aid workers and UN soldiers to stay, they will have to assure their security," he said.

Since Croatian President Franjo Tudjman announced his "irrevocable" decision to force UN soldiers out of Croatia after the expiry of their mandate on March 31, the number of thefts of UN vehicles has increased in Krajina, a UN official who did not wish to be identified, said.

Not a day goes by without a UN jeep disappearing or being the subject of an attempted theft, the official said, adding that at least four jeeps go missing from the UN car park every week. Bullet-proof vests and similar equipment are equally prized. The largest number of incidents has been recorded in the northern sector patrolled by the UN Protection Force (UNPROFOR) around Topusko.

UN officials in the northern sector met the local authorities informally on Sunday. "They (the Serbs) told us that if we left, we would leave with nothing: without arms, luggage, containers, materials or equipment," said Pasquier. He said one of them had added: "And we're not even sure if we'll let you leave at all."

Up to 15,000 UN soldiers are stationed in Krajina, which comprises a quarter of Croatia, and is divided into four UN "protected zones." The Krajina Serbs want their "republic," which they proclaimed at the end of 1991, to be recognised as independent. They believe Croatia will not try to retake the territory militarily after the UN troops leave.

### HEP Electric Power Company Restructured

*95BA0110A Zagreb BANKA in Serbo-Croatian Jan 95 p 14*

[Unattributed interview with Damir Begovic, director of Croatian Electric Power Industry; place and date not given: "There Must Be a Large Profit"]

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[FBIS Translated Text] HEP [Croatian Electric Power Industry] is embarking upon a five-year process of restructuring. Shares will be sold in the final phase, but the state will retain the controlling block of stock.

Damir Begovic, HEP managing director, says that the sale will amount to as much as 25 percent of the value of all HEP stock. This sale will be in the power of the government, but consent of the parliament will be necessary beyond that amount. What is the purpose of selling that portion of the stock? Damir Begovic says:

[Begovic] Today's HEP, at present electric power rates, can cover only operating costs. We will obtain some funds to build new facilities with loans from world and European banking institutions, but we foresee that by selling a share we can obtain capital for new investment projects. We would obtain funds in this way to build the Novo Virje Hydroplant, whose cost is estimated at $250 million.

[BANKA] To what extent has this taken into account the interest of potential investors, because they will not have decisionmaking powers?

[Begovic] The investor acquires the right of management in proportion to the shares he purchases, but he always remains in a minority so that he cannot make decisions. Everywhere in the world electric power industries easily obtain a market, because of the specific nature of the product, which cannot be stored. Sales are 100 percent of output; the only problem is collection. Elsewhere in the world electric power companies are considered to be for-profit organizations. The profit need not be exceptionally large, but it offers security to the owners that the stock will always increase in value and each year's operating result will bring a dividend.

[BANKA] Who are you counting on as investors?

[Begovic] We cannot determine precisely whether there is an interest on the part of small shareholders or of anyone else. We only know of experiences in Europe, where large electric power organizations often buy each other's stock, as, for example, the Spanish and German companies have done (the German electric power industry has been privatized and divided into five organizations). They do not have the right to make decisions, but they have the right to examine the financial operations of the other firm, to exchange information, and to coordinate certain activities.

[BANKA] Aside from the decision on the sale, do you have any other information about the privatization process and its duration?

[Begovic] The law provides that the process will take five years. That would also include restructuring, which is perhaps more important than privatization. All the organizations that are part of HEP, but are not decisive to generating electric power, will be organized as limited liability companies owned by HEP, separate from the parent company and exposed to the market. That would include various production services, maintenance services, hotels, fish hatcheries, and so forth.

[BANKA] Can electric power customers count on any benefit from the privatization and restructuring of HEP?

[Begovic] The basic purpose of restructuring should be cost reduction. This will show up in the final financial balance sheet. If a profit is realized that exceeds operating costs, the state as owner can reduce electric power rates, but it may also use it for other purposes. Customers, then, may benefit from that, but not necessarily. This depends on the overall economic circumstances in the country.

[BANKA] Elsewhere in the world the trend is to achieve lower power rates through complete privatization of producers and establishment of competition.

[Begovic] I have had quite a few discussions on that topic in recent days, and it seems to me that many people are not familiar with the basic functions and manner of electric power production. We have nothing against competition, but it actually does not exist, and privatization is not even necessary. One of the best electric power industries in the world today, the French EdF [Electricite de France], is entirely state-owned. Much the same is true of the Spanish Endes. In contrast to them, Germany has five electric power companies, but they do not compete with one another, because you cannot have five generating plants, five long-distance transmission systems, and five distribution networks in one region. They figure as competitors only in border areas, in which a particular place might receive power from either side. In order to penetrate a particular region, a competitor would have to build a power plant. He might obtain a concession, but the problem is how to transport the electric power over long-distance transmission lines. He will not be able to obtain a route for a long-distance transmission line, because all the routes have been taken up by previous development and construction. When new distribution corridors are being built for the transmission of electric power to a particular consumer, the question arises of how the installation should be done. It is in the nature of things that competition is not so easy to accomplish.

[BANKA] In Great Britain, for example, electric power rates have nevertheless been lowered considerably.

[Begovic] Competition is possible in the building of new facilities, and that will also be our case, and I think that it is welcome. However, if a potential investor has the capital to build a power plant, he will not easily obtain a permit, and that will be a difficult problem to solve. To be specific, a thermal electric power plant ought to be built in Slavonia, but the state first must grant consent to the site where the new power generating facility is to be built. The capacity of the power plant must be designed so that the power it generates can be accepted by the transmission network. The transmission network will always be state-owned in order to guarantee stability of

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supply to every customer. What if the owner of a thermal electric power plant goes bankrupt? We have to face those possibilities. And then who guarantees customers the supply of electric power?

## Problems With Rehabilitation of Banks

*95BA0110C Zagreb BANKA in Serbo-Croatian Jan 95 pp 22-25*

[Article by Jasmina Popovic: "Blood Is Not Water"]

[FBIS Translated Text] Borislav Skegro, M.A., deputy prime minister, referred to distribution of a portion of budget money to the Bank of Split [Splitska Banka], Bank of Rijeka [Rijecka Banka], and Bank of Slavonia [Slavonska Banka] as prerescue intervention, because the Agency for Restructuring and Financial Rescue of the Banks still is not "firmly established." The ailing banks are supposed to use that initial financial injection to discharge obligations to the NBH [National Bank of Croatia] and to improve their "financial blood count." The government's intention, Skegro says, is to finally eliminate the incestuous relation between the nominal owners of the banks and recipients of loans and bring both sides into order with a single stroke. That this is easier to say than do is confirmed by the fruitless attempt to find out what phase we are in with this program for financial rescue of the banks in Croatia and the announced beginning of their privatization.

### The Salary of the Agency's Director

No discipline within the government structure and no independent economists, who usually do not miss a chance to give advice to the government, have anything much to say about that.

The Law on Financial Rescue of the Banks affords the Agency for Rescue and Restructuring of the Banks an extremely large role, but it seems to be very late beginning its work. Why is that the case, when it is clear that the rescue of the banks must be undertaken as soon as possible if we are to respect the criteria imposed on Croatia by international financial institutions?

In the Ministry of Finance they call rescue of the banks the hottest political live coal of 1995, and they do not want to say anything about it aside from the government documents that have been published. It will be interesting, then, to see how the state will solve the situation of having managing directors of firms applying for loans sit on bank boards of directors. It is easy to say that they should be replaced by others, but as a rule it is much more difficult to carry this out. At the NBH, they say that everything will be clearer when the agency finally begins operation, but Skegro warns that it is very difficult for the agency to find a director, because "this is not a job for which you get a man by placing an ad in the paper and giving him a salary of 2,000 kunas." We do not know why he would not be given a higher salary, but according to Mitch Brajdic, one of the candidates for that post, who has presented his financial rescue program to government officials (without getting a response), he has a more intelligent thing to do than waiting for another interview.

### The Purpose of Financial Rescue of the Banks

Economists like Rohatinski and Zdunic of the Economics Institute in Zagreb say that there are not enough indicators for us to see the real objective of financial rescue of the banks in Croatia. Until the full program comes out, there is nothing by which to reckon. In the opinion of Gusto Santini, rescue of the banks must be conceived as a part of the strategy of the state. What is the point of rescuing the banks unless the NBH raises the legal reserve? Santini asks. That is only a new blow to the bank's cost sheet. Is this not actually taking from all in order to give to some? Aside from that, what does financial rescue of the banks mean if Uljanik and 3 Maj are to continue taking loans?

Will the state have the strength not to extend loans to those who ask for them, clean up affairs in the economy, and firmly undertake financial rescue? Santini goes on to ask. In 1995, the government promises a firm budget ceiling. That means protecting creditors, not debtors. In Santini's opinion, instead of bonds and stock, checks and promissory notes should be rehabilitated first of all. Without those two payment instruments, financial rescue of the banks will not be successful.

It is clear even to the bankers that rescue of the banks is inevitable, but the upcoming moves have not been explained to them. They mention that the Law on Rescue and Restructuring of the Banks has normatively established the model of financial rescue and set down the criteria as to when a bank must enter into rescue, and when it does so at the request of the body of management. The rescue procedure is conducted automatically against a bank with potential losses greater than 50 percent of the amount of subscribed capital, provided the NBH judges that rescue proceedings are possible and economically justified. If potential losses are less than 50 percent of the amount of subscribed capital, rescue proceedings may be instituted only if the bank applies for it, and the NBH finds it warranted. The procedure itself begins from a financial standpoint with a write-off of potential losses to special reserves, founding capital, or other forms of capital contained within subscribed capital, and it ends with additional capital up to the necessary level of liquidity. After that, a new initial balance sheet of the bank is prepared.

But instead of acting in accordance with the prescribed model, the government has issued the Decree on Distribution of Funds for Financial Rescue of Banks, and three banks will receive them from funds appropriated in the state budget. The Bank of Rijeka and Bank of Split have been appropriated 75 million kunas each, and the Bank of Slavonia 50 million kunas.

What did this achieve? Only that the state purchased from those banks its own bonds—allegedly at a discount

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of 30 percent—issued in 1991 for restructuring the economy (the so-called big bonds).

**What They Say in Split**

"The government decided to use the budget funds intended for financial rescue of the Bank of Split by purchasing at a discount bonds for restructuring the economy contained in the bank portfolio. We signed a contract with the Ministry of Finance, although we were not happy either with the amount or the discount rate. Of the 95 million kunas earmarked for us, 85 million are being returned to the NBH for obligations under the initial credit and other unmet obligations. We still have another 10 million kunas at our disposition, and this is the amount by which we will reduce use of loans from the money market. For us, the first step in financial rescue is to diminish the use of secondary sources of liquidity, and for the NBH it is complete collection of all claims from the bank," says Mladen Grabic, acting general director of the Bank of Split. As he puts it, the Bank of Split has for a long time not been making loans to bad debtors, who are mostly state-owned firms. They have exhausted every opportunity, including court suits, to collect claims, and they expect the state to finally become involved as a partner, because it is in fact the owner of those firms. If the state does not want to become involved in this, then make it possible for the banks to provide absolute protection of the rights of creditors, which is not the case now, Grabic says.

In all three banks they say that those 240 million kunas in the budget are only a part of the obligations that the state has to them on the basis of the big bonds. But some people warn that the purchase of the bonds is unfair to the other banks, that it gives preference to the unsuccessful at the expense of the successful.

The hit parade of Croatian moneyhouses has shown a similar discrepancy between theory and practice. As expected, the Business Bank [Privredna Banka] and Bank of Zagreb [Zagrebacka Banka] are listed among the successful, and they are immediately followed by the Bank of Rijeka, Bank of Split, and Bank of Slavonia. Surprised by this information, at the NBH they have announced their own analysis of indicators "so that a wrong impression will not be given of Croatian banking." After all, what is the point of rescuing banks which according to the required indicators (amount of capital, assets, and before-tax profit) are doing better than they ever have? Dr. Zarko Primorac says that the list sends a certain message to the state that is carrying out financial rescue. This is above all a signal to it that it must break up the present structure more rapidly. Financial rescue can be carried out only with the help of the state, which also means with a new entry of the state into the capital of the banks, because when it takes over anyone's public debt or buys anyone's assets, the state is entering still more deeply into the capital structure. To avoid that trap, the state and the financial rescue program must come forth with a program of its own disinvestment in the banking industry, that is, with the sale of its portfolio from the banks, Dr. Primorac advises.

It is clear that this will not be an easy, or inexpensive, or simple process, and one gets the impression that the state is continually delaying a solution while it waits for help from outside. The NBH governor suggested as much when he said that Croatia welcomed the entry of foreign banks into domestic banks, but by means of additional capitalization that would help financial rescue. The only thing that is not clear is why the foreign banks would have an interest in rescuing Croatian banks, when under the Law on Banks they can open their own branches and carry on that part of the business which is of interest to them. If they are entering into domestic banks, they are entering those that are sound, if there are any.

**Privatization of the Banks**

At the same time, the question arises of when and how to privatize the banks. Issuing stock after rescue or perhaps simultaneously with it? Seek an answer in the range between the statement by Gusto Santini that the banks will be privatized when the HDZ [Croatian Democratic Union] so decides, but no one knows how, and that of Mitch Brajdic that it would not be smart to undertake privatization before rescue. Who is going to privatize the bank before its accounts are cleared up?

Not much is known about privatization of banks in Croatia. Some state banks have certainly become more private than before to a certain extent, because the enterprises that were their customers have become private property. To what extent is this the case in the Business Bank, which nevertheless is mostly owned by large state firms? Or to what extent is this true in the Bank of Zagreb or Bank of Rijeka, whose customers include private entrepreneurs? No one knows. Just as we do not know how privatization will be carried out.

In banking circles, they are talking at the moment about one of the smaller Zagreb banks whose shareholders are mainly medium-level entrepreneurs. One of the larger Croatian entrepreneurs wants to buy it; on several occasions he has negotiated with the bank's management and tried to establish what its real needs are, because he knows that it has difficulties with both customers and creditors. Dissatisfied with the analyses offered, the businessman requested the services of a foreign auditor. The bank was offended and rejected this, and the businessman gave up on buying the bank's shares and offered declaration of bankruptcy as a solution. But the bank does not want to go into bankruptcy no matter what. Especially because even those that had more grounds have not done so. Now the customer and the bank are seeking a new way to prevent declaration of bankruptcy, while the bank would be rehabilitated and purchased.

Following attempts to discover what stage the rescue of the banks is in, it is clear at this moment that there are unknowns wherever you look. Real changes by way of financial rescue are expected only when the World Bank

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becomes more involved. Its rule is to survey the financial position of each candidate for rescue. It insists strongly on the Agency for Rescue of the Banks, which brings the story back to the beginning. Unless detailed preliminary steps are taken, the World Bank would not even dream of opening the can of worms of Croatian relations between the economy and the banks.

**Two Candidates**

It is of some significance that time is passing, and Croatia has accepted certain deadlines. There were two candidates for the post of the agency's director, which is perhaps the key to everything: the aforementioned Mitch Brajdic, and Boris Zenic, who previously worked in the European Bank for Reconstruction and Development and has now become director of the first foreign bank in Croatia, the recently opened Raiffeisen Banka. It is obvious that no contract has been concluded with either of them, surely because of the salary. Although the deadlines could catch Croatia, there is a consolation: The lion's share of the job must be done by the World Bank, and it is also running behind, and so they have allegedly promised to explain to the IMF that there are grounds for being late. But still, even if we are straight with the IMF, that certainly does not come close to solving the problem. If nothing else, the first installment of the money for rescue of the banks will not arrive in mid-1995, as expected and desired, unless the minimal preliminary steps to acceptance of that money are performed, and they are actually enormous.

**The Outside World, Surprisingly, Sees Progress (Viktor Vresnik)**

When in December the World Bank mission headed by Kemal Dervish, who has been to Zagreb many times, spent another few days in Croatia talking to officials in the Ministry of Finance and in the NBH, it did not surprise anyone that they once again talked mostly about rehabilitation of the banks. The world moneymen have already had sufficient drill in reanimation of postcommunist states, and they know that without sound banks it is not even possible to talk about any sort of restructuring of a seriously ailing economy. For that matter, even Bozo Prka, Croatian finance minister, addressing parliamentary deputies, enumerated no fewer than nine banks that need rehabilitation. Commercial banks dominate the Croatian financial system as matters now stand. In late June 1994, they had total property amounting to $9.6 billion (80 percent of GNP), they had $4.2 billion in outstanding loans to the economy (35 percent of GNP), and they held deposits worth $4.7 billion (39 percent of GNP). Of the 48 commercial banks, 23 were established after proclamation of Croatia's independence in 1991. The new banks, however, are small and possess only about 4 percent of the capital. More of the business, then, goes through banks established before state independence, and the Bank of Zagreb and Business Bank have the largest share of the pie with 55 percent of all the bank capital in the country. They are, at the same time, the only ones that have elaborate national networks. The four other large banks (Bank of Istria [Istarska Banka], Bank of Rijeka, Bank of Split, and Bank of Slavonia) possess only 20 percent of bank capital. All of this is also well known to the World Bank team responsible for Croatia, which, of course, has not failed to discern that the problems of the banking system in Croatia originated back in the former SFRY [Socialist Federal Republic of Yugoslavia]. In their opinion, as we have learned from circles close to the Washington moneymen, the Croatian banking difficulties were most frequently caused by the wrong structure of ownership and the quasi-fiscal function imposed on the banking system and the inadequate legal framework for supervision and regulation. Most of the Croatian banks are still socially owned today, inherited from the former system; their owners are mainly large public firms, most of which have not been privatized.

In Washington, however, they feel that the Croatian authorities have nevertheless made progress since independence in developing the legal framework for the business operation of the banks. The 1993 Law on the Banks authorized the central bank to define and institute reasonable regulatory and accounting standards, and the first part of those rules has already been adopted, which is good, they say, but they warn that as a consequence of the past "stimulative" framework, the Croatian banking system is today flooded with an immense quantity of immobile capital, which represents no less than two-thirds of the total balance sheet (old foreign exchange savings represent no less than 23 percent of that). Many Croatian banks have been affected by at least one of these problems, but the frequently mentioned five banks that possess about 50 percent of total bank capital in Croatia are in the worst situation. Together they have a large part of the share in the group of large firms operating at a loss, firms holding no less than 70 percent of their credit portfolios and firms which are at the same time important stockholders in those banks. What is more, they account for a large part of the total foreign debt that has been channeled through the banking system. Everyone today knows, especially after what has recently been written about scandals, that the Business Bank, for example, inherited its difficulties, because it was burdened both by its ownership and by credit ties to public firms. It thus holds 35 percent of the so-called big bonds.

The four others, regional banks, have been displaying similar difficulties, but their customers are regionally very sensitive enterprises in shipbuilding, agricultural combines, or the tourist sector. Today, the purpose of the government program in Croatia, as seen in the World Bank, is to place the banking system in a healthy and stimulative environment, which also includes private ownership, which would avoid repetition of the present difficulties and would make it possible to channel new flows of funds toward a broader base of sound borrowers at a lower price.

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The banks would be freed of the consequences imposed on them by quasi-fiscal functions and the legal framework for business operation would be strengthened. The external debts of the banking system and also relations with public firms would be regulated. The Agency for Rescue of the Banks would, of course, take the individual steps in collaboration with the management of the problematical banks. The loans, of course, will be forthcoming only when the terrain is completely prepared.

**How the Banks Are Controlled (Jasmina Popovic)**

Twenty-five officials of the Directorate for Solvency Supervision of the National Bank of Croatia (NBH) examine and verify hundreds of reports every day related to the business operation of the banks, which is referred to as offside control. All the reports for "offsite control" are filed by the commercial banks, as is their obligation. And, depending on the need, officials of the Directorate for Solvency Supervision "go out into the field" by order of the director and do "onsite" control.

But solvency supervision does not give direction to bank policy, but only monitors how they conduct their business. Within every bank, there is internal control performed by officials of the bank itself, after that come auditors who do the annual audit of the bank, and supervision, which is performed by the bank's main office. The first two levels of control may be approved by the bank itself, but it is in the interest of the bank for both forms to be as good as possible in order to preserve or improve its reputation. Supervision of commercial banks is performed by examining reports and data which the banks submit to the National Bank of Croatia. These are the bank's income and financial statements, financial reports, auditors' reports, quarterly reports on the business of the bank, daily figures on liquidity, exposure to foreign exchange risk, and other data which may be requested for a special inquiry of the National Bank. Of all those reports, in the opinion of Ivan Teslja, who heads the Directorate for Supervision of Bank Solvency, quarterly reports on the bank's business are the most important for the directorate. The first thing they look at and investigate in those reports is the adequacy of capital.

The adequacy of capital shows what share of subscribed or founding capital (paid shares) and what share of supplemental capital (other forms of capital) have in total assets and off-balance asset items. The adequacy of capital is 8 percent for Croatian banks, that is, the bank must adjust the volume of its operation so that the amount of subscribed capital is at least 8 percent of the total amount of assets and off-balance asset items of the bank. This percentage of the adequacy of capital, in the opinion of Mr. Teslja, is too low for the Croatian banks, and the optimum amount would be about 20 percent. The present 8 percent is the world standard and was thus agreed on in the interbanking international agreement concluded in June 1988 and known as the Basel Agreement. The decisive thing for it is that countries maintaining a stable banking system coordinate the work of supervision of banks according to world standards and thereby have the same requirements concerning the adequacy of capital, allocation to reserves for assets at risk, and have a universal definition of capital. The reasons for 20-percent adequacy of capital lie in the problems banks encounter in Croatia, because they are operating under specific conditions requiring higher security and coverage because of possible losses.

The commercial banks encounter a big obstacle in issuing loans, and that obstacle is the question of whether the loan will be repaid. This depends, of course, on who the borrower is, which is why the commercial banks have an obligation to set aside an amount in a special account as a reserve against problems that arise in collection of that loan. That accounts for the term "degree of asset risk," which is divided into five classes from A to E. Under A, the level of risk is equal to 0, under B the level of risk is 25 percent, requiring 25 percent of the amount of that credit to be set aside as a reserve. Class C has a level of 50 percent, D has 75, and E has 100 percent of the amount of credit.

After the adequacy of capital, a very essential segment examined in the reports of the banks is the quality of assets, which is evaluated with the help of the same degrees of asset risk. In their reports to the solvency inspectors, the banks are supposed to submit assets weighted for risk. That is, it includes money, securities, loans, the borrowers to whom those loans were made, and other assets. Every item in that report has its own level of risk, ranging from 0 to 100, and thus a loan to public firms is recorded with a risk level of 75 (D), a treasury note, for example, with a risk level of 0 (A), and loans for capital assets and inventories have a risk level of 50 (C).

## Status of Banks in Croatia Examined

*95BA0095A Zagreb BANKA in Serbo-Croatian Jan 95 pp 34-35*

[Article by Nikola Prskalo]

[FBIS Translated Text]

**Difficulties With Liquidity**

Many Croatian commercial banks, and also their clients, will remember the last month of 1994 for the interventionary loans, the awkward entry into the "red," or even a short interruption of operations. Let us recall that the first one to feel an interventionary blow was the Split Bank, back on 21 October. The "upheaval" fortunately did not last long because the very next day the bank repaid what it had borrowed from the National Bank of Croatia [NBH] and continued to operate normally, without its clients' serious notice of the standstill in operations.

"It is possible that all the big Croatian banks might end up with interventionary loans if the NBH does not issue enough money to purchase foreign exchange," stated

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Mladen Grabic, who was then acting director of the Split Bank. His assessments turned out to be true, because since then numerous, mostly larger "old" banks have been forced to make brief use of interventionary loans to maintain their kuna liquidity. A big collapse in payment transactions happened between 6 and 8 December. At that time as many as three major banks (Rijeka, Slavonska, and Privredna Banka), which cover almost half of the economy, fell into the "red balance." Although the Rijeka Bank, for instance, three or four days earlier had not succeeded in getting out of the "red" by settling all the orders, ZAP [Institute for Payment Transactions] did not start immediately to receive payments to the bank. Rijeka Bank director Nikola Pavletic interpreted the nonreceipt of payments as an inability to cope with the new situation on the part of ZAP (as well), something for which the bank clients were the first ones to pay the bill.

On Christmas weekend, as many as five banks (Split, Pozega, Istria, Medjimurje, and Dubrovnik) requested an interventionary loan from the NBH. That was also expected, they say, in view of the "consumer" onslaught during those days. On the last day of the old year, even the Zagreb Bank, which had so far shown exceptional skill in maintaining liquidity, used an interventionary loan, but everything was resolved in three and a half hours. At 1130 the bank was already emerging; some clients who were working that day were nevertheless surprised, but people at the Zagreb Bank claim that some of the banks' difficulties with liquidity must also be attributed to the imperfection of payment transactions, which after all have to be seriously reformed soon.

Liquidity problems at banks (and thus also enterprises) are more pronounced at the end of the week, and especially at the end of the month, when enterprises' tax obligations become due. Experience shows that frequently the problem is that banks find out too late about the real balance in their accounts, and consequently there is no acquisition of capital from the Money Market in time, before they go into the "red." Admittedly, in the last 15 days or so for the most part demand for money has been slightly higher than the supply at the Zagreb Market. The smaller private banks are even lending more money more often to the larger, "old" banks, the people at the Money Market emphasize. There are days, however, such as 20 or 27 December, when banks have had a daily "shortage" of 30 million kuna each to bridge over their liquidity difficulties and avoid an interventionary blow. For now the interest on day loans is 18 percent annually, and 8.5 percent for night loans. Because demand is growing for night loans as well (the turnover mostly amounts to 130-180 million kuna), one should also expect those loans to become more expensive as liquidity difficulties increase. Many entrepreneurs view the latest situation at the banks as "welcome" because, they say, it will finally increase competition among them (the banks) and a desire to be better (or the best).

Everyone agrees that the latest benefits associated with the use of collateral loans with treasury notes as collateral are more or less helping to maintain liquidity. The assessment, however, is that that measure is not enough.

**Kreditna Banka: Great Demand for (Founding) Shares**

At the end of December, a "quiet," previously planned additional capitalization of 5 million German marks [DM] was carried out at Kreditna Banka in Zagreb, thus increasing the bank's founding capital by DM17 million. This bank was thus among the first (even six months before the deadline) to meet the condition for keeping an extensive foreign exchange authorization for doing business abroad.

"Clients' interest in capital 'entry' into the bank has been, and is, extremely high. We want to expand our business in a high-quality manner, step by step. We will try to have approval for inclusion obtained by those medium-sized and large firms that will not just invest capital, but also primarily bring new business to the bank, and become an accelerator for other commercial activities," emphasized bank director M.A. Ante Zdilar. The bank's current kuna and foreign exchange liquidity is shown eloquently, as they say, by the indicator that they can cover all payments even without new receipts, even in conditions in which all the orders come to them for immediate payment. It is interesting that Kreditna Banka in Zagreb has achieved stable and rapid development in just one year of successful operation because the first anniversary of its opening for business will only be in mid-January.

**Sisak Bank**

The Sisak Bank was selected to be among the banks through which the approval of new loans for returnees from Germany will begin at the end of January. Half of the DM20 million loan "pie" is being provided by Deutsche Ausgeleischesbank, and the rest by HKBO [Croatian Credit Bank for Reconstruction] from budget funds.

Because in the past there has also been nondesignated spending of returnee loans, the conditions for allocation are tighter in 1995. Thus, among other things, a request for allocation of these loans can be submitted by Croatian citizens who are temporarily residing or have resided in Germany or returned after 1 July 1991, and are younger than 55. Priority in the allocation of loans (they will be approved for amounts up to DM100,000, and in exceptional cases, to a maximum of DM300,000) will be given to those who want to open production shops. In that case, the returnees have to have experience in the field that they want to engage in here, and have to perform the work themselves.

A loan recipient can participate in financing a project with at least 30 percent of the estimated value of the investment project. The repayment periods for the loans depend on the type of investment, and thus up to eight

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years will be approved for fixed working assets, up to 10 for investments in machinery and equipment, and up to 15 years for agricultural and construction projects. The grace period is two to five years, within the period for repayment of the loan. The interest rate for the final recipient of the loan is 7 percent annually, with quarterly accounting and payment.

The Sisak Bank's Service for Financing Legal Persons emphasizes that requests are already coming in and that there is great interest in returnee loans.

**HGB [Croatian Economic Bank]**

HGB in Zagreb decided on a third share issue, with a equivalent kuna value equivalent to DM10 million.

"The fundamental goal that we want to achieve through the new issue is capital reinforcement in order to increase the volume of business, maintain extensive foreign exchange authorization to do business abroad, and to accelerate overall development," said bank director Zeljko Supe. With this issue, the bank's guarantee capital will "jump" to DM23 million.

In the third issue, a total of 100,000 shares will be issued, whose unit value is DM100. Ninety-nine percent of the shares issued are common (management) shares, and the rest are preferred shares, ensuring a guaranteed annual dividend. The registration of the shares is proceeding successfully, and HGB estimates that so far 85 percent of the total issue has been sold or reserved, noting that the first deadline for registration expired at the end of 1994. Because the issue has been successfully carried out (in fact, more than half the shares were sold), the period for registration of the shares will probably be extended by two or three months.

**Kvarner Banka**

The joint Croatian-Italian Kvarner Banka in Rijeka is providing loan services to the private sector more and more successfully. "We often provide credit support for high-quality small programs at a large number of mostly private clients, not in large amounts but mostly in smaller ones—DM20,000, 40,000, or at most 100,000. Because our clients are successfully 'turning around' what they borrow and repay it on time, we are also earning a significant business profit," bank director Anton Butorac commented.

Although it was founded only a little over a year and a half ago, Kvarner Banka already has extensive authorization to do business abroad. Because it also leaped over the latest threshold of DM15 million, its "visa" has been extended, which they say is very important to them because of the constant growth in the volume of foreign business.

**Market Bank: Intergovernmental Payment Transactions**

The new Split office of Sarajevo's Market Bank has the primary task of linking together firms from Croatia and Bosnia-Herzegovina that have mutual obligations or payment claims, normalizing monetary flows and payment transactions (in foreign exchange) between the two countries, and also studying the market.

"At the same time, through this branch and Market Bank, one can easily send funds to one's family and friends in Sarajevo, either from Croatia or from abroad," explained the head of the Split office, Igor Pelivan.

**Partner Bank: Move**

A few days ago, Partner Bank in Zagreb moved from its old offices on Laginjina to its own new offices at 61 Andrija Zaja Street, next to Sport Square. The new, modern, and completely computerized office space is considerably larger than the previous one. "The new conditions and professional personnel will enable the bank to serve a larger number of clients better and faster. We particularly want to acquire better-quality clients that will, together with us, work on expanding business in Croatia and abroad," emphasized bank director Julio Krevelj.

The people at this successful and completely privatized bank announce that the expansion of business will make it possible to employ another 10 or so banking experts.

**Istria: "Minuses" Permitted**

The Istrian Savings Bank in Pula approved short-term loans to small entrepreneurs worth almost 3 million kuna last year. That financing went through the so-called permitted minuses, which significantly helped small businessmen in a difficult situation to get through (without additional interest burdens) their liquidity difficulties.

In addition to continuing short-term financing for small entrepreneurs, the Istrian Savings Bank recently began approving loans to entrepreneurs with a three-year repayment period. The basic condition for obtaining such a loan is the turnover during the previous nine months (the larger and more stable the turnover, the higher the loan one can count on, with more favorable terms), with a contract variable interest rate of 15 percent. "The recipients of those loans also pay a deposit of 20 percent for one month. We have already approved about 80 of those loans in the amount of DM30,000, depending on the recipient's turnover, and the possibility of obtaining such loans is still open," emphasized Olga Matijacic, the savings bank director.

Although it has approved numerous loans, the Istrian Savings Bank has so far not had any difficulties in collecting on any of them. The insurance instrument is a bill of exchange with two or three guarantors, and a mortgage is used for loans of three years, namely for amounts higher than DM10,000.

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## Commentary Views U.S. Military Assistance

*AU3101122395 Skopje PULS in Macedonian 27 Jan 95 p 17*

[Commentary by Eleonora Karanfilovska: "Framework of Cooperation"]

[FBIS Translated Text] The army cooperation between Macedonia [The Former Yugoslav Republic of Macedonia] and the United States mirrors the real relationship between Skopje and Washington, which does not correspond to the formal relationship. The one year postponement of the establishment of full diplomatic relations between the two countries, after last year's recognition by Washington, may indicate that there are some disputes in mutual relations. This could be considered possible if one were unaware of the internal situation in the United States and the influence of the Greek lobby; primarily on the White House, but also on the State Department. One should not underestimate (from the aspect of influence) the several-decade-long relations between Greece and the United States. Bearing all this in mind, Washington took what was primarily a principled step—it recognized Macedonia—but things formally stopped there. We must stress the word formally, because actually there were better and faster communications—which are still at this level—than there often are between countries that have normal mutual relations.

This is particularly true regarding the Pentagon, because it followed the pragmatical strategic interests as delineated by its planners, and their actions can hardly be assessed as in favor of one interest group or another. On the other hand, one should not forget that the Pentagon is only carrying out the policy that is created in Washington. This is the setting in which we should view relations between Washington and Skopje and in which we should project the possible future actions.

Defense Minister Blagoj Handziski would say: "The memorandum that was signed last year is a framework for cooperation between the United States and Macedonia on a military program." The memorandum, as a point around which relations rotate, involved a quite normal sequence of events, although it might have been confusing for the public. There was a series of visits by U.S. military officials before the memorandum was prepared. Such visits continued after the memorandum had been signed, with the purpose of implementing what was contained in it. Here is a fact that speaks for itself—during the latest visit by the U.S. military delegation to Macedonia, at the beginning of this week—the direct reason for this article—Foreign Minister Stevo Crvenkovski was "not included in the program," and only military aspects were involved, which means there were meetings with the president of the state as the supreme army commander and the minister of defense (although there was an unofficial meeting with Minister Crvenkovski). Nevertheless, there was "chaos" among the media and the public because of so many military visits. Sometimes one forgets that if there had been other, normal political contacts, these military contacts would not appear so unusual. "Chaos," we say, because if one examines the prevailing atmosphere, the unavoidable questions are: Will the Americans bring arms or not? Will they stay here, and how? And so on and so forth, following the Balkan rumormongers who have invented lots of bombastic stories—the United States is arming Macedonia, Macedonia is a center of smuggling (again!), the UNPROFOR [UN Protection Force] Command is moving to Skopje, and so on and so forth in the same style—in an attempt to see something behind the contacts and what is now being accomplished as a regular cooperation between the two ministries of defense.

Of course, the memorandum, which is the framework, is not accessible to the public. However, following the standards followed by the Pentagon in its bilateral relations, we shall take the liberty of making assumptions. The United States first forms a so-called military team for communications that is composed of U.S. experts from different spheres, who are usually under the competence of the Command for Europe. After inspections in the country (of course, this refers to countries in the former East Europe, or as they call them the "new democracies"), they establish a base for cooperation, which has the ultimate goal of making the host country compatible with NATO Army standards. The next step is to form a so-called mobile team, composed of U.S. officers and of members of the host country, that engages in the accomplishment of the agreed cooperation. In Stuttgart, there is a kind of joint command in which there is one desk officer for each country, and that is the last step after the accomplishment of the previous two. "The procedure" is expected to commence during the forthcoming visit of Macedonian Defense Minister Blagoj Handziski to the United States at the invitation of Defense Secretary William Perry. As for the speculations that Macedonia will be armed, this would be the last step in this timely cooperation. Finally, if you want to ask for and receive military equipment, you first have to "know" what you are looking for. This is not meant to be a cynical remark. In giving assistance to the armed forces of former Eastern European countries, the United State activates the so-called Bryan-Simon amendment from the time of General Colin Powell, which projects the compatibility of the army with the Western army standards. That was long before the "Partnership for Peace" project. We can assume that this will be one of the ways of removing the formal obstacles that exist because Macedonia cannot be included in Clinton's initiative for "embracing" new democracies because of the Greek veto on the admission of Macedonia to the OSCE, which is a precondition for membership in the "Partnership for Peace" and therefore in NATO. However, in order to ask for and receive military equipment (not only arms!), the project must be compatible with the structure of the army. This will be the final phase for the Macedonian Army, and it is also a commitment in the memorandum

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on cooperation between the armies of the United States and Macedonia. The civil concept for the construction of the Macedonian Army was received positively by the U.S. side, and the reorganization is expected to be completed in the next period, for which, according to the memorandum, U.S. assistance is planned.

All the visits by army personnel are necessary and by no means strange, although they appear unusual to the public, we shall repeat, because they do not correspond with the level of bilateral official cooperation in other spheres.

The visit by Mr. Slocombe to Macedonia and last week's visit by General Joulwan were media attraction because they coincided with Tudjman's refusal to renew the mandate of the peacekeeping forces in Croatia. This is not something that we heard for the first time, but whether or not the Croatian president will again withdraw his words after strong international pressure—we shall have to wait for 31 March, the deadline, to see. Speculation about the UNPROFOR Command moving to Skopje started in Athens. It is a question of how possible the functioning of the UN peace mission in the other regions of former Yugoslavia will be if its component in Croatia is withdrawn. First, their departure from there will mean war, and a tough one according to all the assessments, and second, we should recall the statement of UN Secretary General Butrus Butrus-Ghali—"Bosnia-Herzegovina is a country without a sea, and we need the coast of Croatia, the air force in Split, and the presence of the troops in Croatia to support the efforts of our troops in Bosnia." This statement could announce a withdrawal from Bosnia, too, and therefore from Macedonia, but Butrus-Ghali has an answer for that, too—"A double withdrawal would be a catastrophe for this region." Perhaps this is a strong diplomatic offensive to make Tudjman change his mind, but in any case, if the idea for moving the Joint Headquarter is accepted, the Greek speculation that it will be moved to Skopje will not be easily accomplished, primarily because of the bad communications in the town. That is why Belgrade might be a possibility, but that is not favorable for Macedonia at all. If there is a move, it would be best if it was to another neighboring country, and because of past experiences, Italy, that is Naples, cannot be excluded.

Another alternative if Tudjman persists in his decision is to stop the UNPROFOR mission. In such a case, the fate of the peacekeepers in Macedonia would be at stake. If everybody has boasted about it and presented it as their own merit in promoting the success of preventive diplomacy (let us mention U.S. President Clinton and Secretary General Butrus-Ghali), we can hardly expect them to renounce it. Probably, in such a case, a new Security Council resolution will follow. That would raise the question of the composition of the peacekeepers in Macedonia, particularly since the Republicans in the U.S. Congress submitted a resolution recently in which they stated that U.S. soldiers serving in peacekeeping operations should not be under the command of foreign officers, as is now the case in Macedonia. This situation will open many questions that will have to be reviewed. That is the why we are ending the story here in order not to encourage further speculation.

## Gligorov Explains Krakow Meeting With Berisha

*LD3001135895 Belgrade TANJUG Domestic Service in Serbo-Croatian 1228 GMT 30 Jan 95*

[FBIS Translated Text] Skopje, 30 Jan (TANJUG)—Kiro Gligorov, president of The Former Yugoslav Republic of Macedonia [FYROM], pointed out to Albanian President Sali Berisha in Krakow last week, while commenting on the so-called Tetovo ethnic incident, that it was "an attempt to illegally organize a university in contravention of the Constitution and laws of Macedonia."

This was stated last night by the office of the FYROM president, with the intention of supplying a clearer version of "the informal meeting between the two leaders" in Poland.

The statement of the FYROM president's office comes after a report from Tirana which says that Berisha, while in Krakow with Gligorov, "insisted on respect for the human and national rights of Albanians in Macedonia," noting that the opening of further educational establishments in FYROM "would contribute to the stability and prosperity of this Republic."

The statement by the president's office repeats that the rights of the nationalities in the FYROM are guaranteed by the Constitution and that they will be realized in the framework of international standards.

As regards the Albanian-language-based training of teachers for primary and secondary school, the statement adds that it is necessary for problems to be resolved in the framework of the existing educational institutions.

Experience teaches us, the statement from Gligorov's office says, that in democratic and law-governed states such sensitive problems are not only not resolved by noninstitutionalized actions but can only increase tensions in interethnic relations.

The Albanian university in Tetovo, a town in the northwest of FYROM, was opened illegally on 17 December last year and at present is only recognized by Tirana.

## Tetovo University To Begin Academic Year

*AU2801160495 Tirana TVSH Television Network in Albanian 1735 GMT 27 Jan 95*

[Report by Ibadete Hajrullahu from Skopje]

[FBIS Translated Text] [Announcer] The academic year of Tetovo University will begin on 15 February. This is what was decided at a meeting of the rectorate of this Albanian institute in The Former Yugoslav Republic of

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Macedonia [FYROM]. Skopje correspondent Ibadete Hajrullahu has more details:

[Hajrullahu] Representatives of Albanian political parties and institutions were also present at the meeting. On this occasion, all participants approved the following conclusions:

—Albanian political parties and institutions in Macedonia are obliged to support the activity of Tetovo University.

—Macedonian high-level officials are asked to begin negotiations between the Education Ministry and Tetovo University representatives.

—The Macedonian Assembly should place the law on higher education on the daily agenda, and Albanian political parties and institutions should take part in the opening of the academic year on 15 February.

—Albanian political institutions, deputies, and government officials should demand from Macedonian authorities that the Macedonian police do not hinder the activity of Tetovo University. If its activity is further hindered, Albanian political parties and institutions should reconsider participation in the Macedonian Government and Assembly.

The meeting also appealed to all Tetovo University professors, students, Albanian ministers, and representatives of Albanian political parties to gather before the mathematics and natural sciences faculty in Reshice e Vogel at 1200 on 15 February to mark the first day of the first academic year of the Albanian University of Tetovo.

While discussions continued in the hall of the Gostivar Assembly, there were reports of inspectors trying to interrupt the meeting. Public order employees were also present at the meeting.

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## Thaler To Seek Solution to Italian Friction

*BR3101113095 Rome REPUBBLICA in Italian 28 Jan 94 p 14*

[Interview with Foreign Minister Zoran Thaler by Mario Tedeschini Lalli in Ljubljana; date not given: "Now We Will Start Negotiating Again"]

[FBIS Translated Excerpt] [Passage omitted] In his first interview since he was appointed, [Foreign Minister] Thaler formulates a possibility: Ljubljana is even willing to review the issue of property abandoned by Istrian refugees in the forties (previously a forbidden topic that cost [former Foreign Minister] Peterle his post), if Italy gives the go-ahead to negotiations on Slovenian EU [European Union] membership; in other words, if it accepts the "twin-track" idea of "bilateral" and "multilateral" negotiations. This proposal was also made last week by Giangiacomo Migone, Senate Foreign Affairs Committee chairman of the Democratic Party of the Left, who had long talks with Thaler in Ljubljana. In this new atmosphere even the "forbidden topic" of the Treaties of Osimo and Rome could be discussed. For the immediate future the new minister seeks an urgent, quick meeting with another newly instated Italian minister, [Foreign Minister] Susanna Agnelli.

[Tedeschini Lalli] Two new foreign ministers in two countries: An opportunity to boost talks?

[Thaler] New ministers, but in one case a new government as well. We also received a visit from Senator Migone. All this could help in treading a new path... I have the feeling that both sides want a change in this sense. But wanting is not enough, political will is what is needed.

[Tedeschini Lalli] What strategy do you intend using to achieve this? Do you have some new proposal on the ways and means?

[Thaler] This is my first day as minister and I cannot enter into the detail of the issues. However, the dossier on Italy is on the top of a pile of papers that I will have to examine. I was chairman of the parliamentary Foreign Affairs Committee that carried out a very significant role in the debate leading to the adoption of a resolution on relations with Italy and the EU. This is the context in which I intend acting.

[Tedeschini Lalli] Do you think you will schedule a meeting with Minister Agnelli at one stage, maybe in Rome?

[Thaler] I think that even a brief visit could be useful, specifically to verify whether there is a political will to resume talks and find a solution. In the past these high level encounters were often the result of the work of experts, but it seems to me that that way of communicating did not yield good results.

[Tedeschini Lalli] What was wrong with the Aquileia declaration? Can anything be salvaged?

[Thaler] That dossier is closed as far as Slovenia is concerned; I do not see any point in reopening talks. I would like to add one thing however: We would like to know just how much stronger those Italian political forces that consider the link between bilateral and multilateral issues as being of no benefit to Italy have become. It is certainly of no benefit to Slovenia, which has seen its negotiations on EU membership frozen. However, in speaking with Italian friends I gained the impression that more and more people think Italy also paid a price for its stance in the EU. Hence the idea of proceeding along two separate tracks.

[Tedeschini Lalli] But the opinion of the Farnesina [Italian Foreign Ministry] is that the Aquileia declaration is nevertheless a document signed by two ministers and cannot be considered as having no value...

[Thaler] It is a known fact that after studying that draft—because it was a draft—and after an unsuccessful attempt to improve the text, the Slovenian Government rejected that document. It was not a signed document, it was only initialled at the top right hand. We later presented a new draft document, but received no response to our initiative.

[Tedeschini Lalli] Prime Minister Janez Drnovsek recently said that the issue of abandoned property is now of less importance, which leads one to believe that it can be discussed. Under what conditions?

[Thaler] It is no secret that both Slovenia and the other EU members are waiting for talks to move over onto twin tracks to resolve the two issues: the multilateral and the bilateral. In a different atmosphere, without threats of any kind and on an equal footing, Slovenia has no intention of shunning the search for a solution to unresolved issues.

[Tedeschini Lalli] A few days ago President Kucan said that the Treaties of Osimo and Rome, though fully valid, are no longer forbidden topics. They can be renegotiated as long as the parties are on an equal footing. Do you agree?

[Thaler] These treaties and the status quo between Italy and Slovenia are considered taboo by Slovenian public opinion because there are fears that, if a corner stone is removed, a process of erosion could be triggered. The 1983 Treaty of Rome (which established monetary recompensation for abandoned Italian property—LA REPUBBLICA editor's note) was entitled: "Accord for a final solution," with the word "final" underlined. We find it difficult to accept doubts being cast on this "final" solution again.

[Tedeschini Lalli] So you disagree with President Kucan?

[Thaler] No, I simply explained why this taboo exists. In a normal atmosphere of mutual trust, things may even be viewed from another angle...

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[Tedeschini Lalli] The minorities problem remains, however...

[Thaler] This is a very keen issue. We hope that Italy will offer the same protection we have guaranteed the Italians by passing the law on the overall protection of Slovenians. In the coming days I will receive a delegation from the Italian minority to seek concrete solutions with them. We will talk about this with our Croatian partners to see how to make life easier for the people living along the border (now dividing Istria in two—LA REPUBBLICA editor's note).

## Daily Views Government's Abuse of Privileges

*AU3101121795 Ljubljana DELO in Slovene 20 Jan 95 p 3*

[Commentary by Vinko Vasle: "Intoxicating Scent of Chanel No. 5"]

[FBIS Translated Text] Prime Minister Dr. Janez Drnovsek is acting in the Kacin affair in the way he has always acted so far: Just as if this was a matter that did not concern him directly. Furthermore, his hitherto all-too-numerous ministerial defeats have not touched the prime minister, just as if they had only involved the mechanics of exchange and had not compromised ministers and government clerks. For this reason, the question of where the prime minister's objective responsibility actually begins is not at all insignificant.

Bills bearing the stamp of a duty free shop that the Defense Ministry settled from the budgetary funds in the name of Minister Jelko Kacin are more than just a symbolic sign of the times in which unlawfulness, budgetary negligence, the wasting (also private) of taxpayers' money, and small and big privileges are perfectly commonplace. What would pull the rug from under the feet of even the most capable minister in any decent country is evidently meaningless in Slovenia. It is merely a hallmark of the phase that we call the transition and only a small part of the property related brazenness in which political power and authority are consolidated by the plain theft of state property. When the media published the information that out of over 1,000 companies that are in the process of property revision, the managements of more than 300 had tried to pocket over 35 billion tolars, nothing happened at the government level. The State Chamber commission for these matters also resembles "a neutral observer" more than a parliamentary body that is supposed to at least take care of legality in the already unjust division of the social property. Everybody remains silent, or as the management of the Slovene gambling lobby wrote in one of its costly advertisements, the dogs are barking, but the caravan moves on.

Among others, one typical example of the liberalism that speaks of anarchy and incompetence, and primarily of an improper and dismissive attitude toward the citizens, legality, the law-government state, and the sound management of budget funds, is the government refugees' bureau, whose accountancy and bookkeeping is as disorganized as if it were a private enterprise of amateurs who have problems adding and subtracting. When the inspectors of the Agency for Payment Operations warned the incumbent in this government institution about dubious (and double paid) bills and invoices, numerous violations of laws, and offenses, they received in return a slap on the face through the post! The gentlemen from the refugees' bureau, who operate with substantial budgetary funds and (foreign) solidarity money, admonished the agency's management, saying it had no right to meddle in their operations.

Last year, Finance Minister Mitja Gaspari tried to hush up a scandal when it transpired that some companies simply did not pay taxes and customs duties. At that time, there was mention of the Nova Gorica-based Primex and the Koper-Based Cimos, from which the state never extracted the due customs duties. All that in spite of minister's promises. Had there been no affair, the authorities would have simply added billions of tolars to the public debt that would be paid by everybody. We do not need to elaborate on what happens if a citizen, even if he is in dire social straits, does not render unto Caesar the things that are Caesar's.

The affair of Jozica Puhar, former minister for labor, family, and social welfare, who was, at least objectively, very much responsible for numerous sideroads that budgetary money was taking, is also not entirely forgotten. Mercifully, the minister stepped down only after her replacement was not voted in by the parliament and assumed the ambassador's post in Macedonia [The Former Yugoslav Republic of Macedonia]. The affair of the government housing commission belongs among the typical autocratic abuses and unlawful privileges. The justice minister of that time, Miha Kozinc, who was one of the most important protagonists in the affair, was defended unanimously by the entire government, headed by Prime Minister Janez Drnovsek. The government proclaimed unlawfulness lawful. There are more such and similar cases, and they all speak of the fact that we are ruled by officials and ministers who are separated from the law and the law-governed state, which is a peculiar form of "dualism of the law-governed state," in which laws and regulations only apply to ordinary citizens. This is not only an unparalleled insolence, but also a usurpation of power that has nothing in common with the law-governed state. For this reason, too, Former Interior Minister Igor Bavcar was in a position to admit very publicly and very ingenuously that he did not know much about the manner of purchase of a police boat although he had signed the contact himself. Well, the poor man simply did not know what he was signing, which is a good alibi....

The case of Defense Minister Jelko Kacin is, for this reason, crying to heaven even more! It involves the misuse of budgetary money for exclusively private purposes, which a bill for purchases in one of the duty free

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shops (for example, he bought Chanel No. 5 perfumes) demonstrates. If Prime Minister Drnovsek were, for once, to put things in their rightful place and forget about political intrigues and behind-the-scenes antics (and prove that he possesses the principles, legality, and wisdom of a statesman) then, following the discovery of Minister Kacin's shady financial dealings, he should not have allowed an interpellation at all. He should have recalled or replaced him at that very moment. It would also be too much to expect that Minister Kacin would resign out of a sense of responsibility because of some-bills, duty free shops, and other state privileges and benefits that grossly violate the law on the budget. This is not customary in Slovenia, because our potentates understand "the clean hand action" as simply washing their hands and leaving everything to the democratic vote of the State Chamber deputies, that is, those who, with their coalition majority of votes, hand out privileges and protect their own colleagues from persecution on suspicion of grave mismanagement and criminal activities.

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## Federal

### Owen: France Should Play 'Key Role' in Crisis

*LD3001215495 Belgrade TANJUG in English 2127 GMT 30 Jan 95*

["Pool" item]

[FBIS Transcribed Text] Paris, Jan. 30 (TANJUG)—International mediator David Owen said in Paris Monday that France should play a key role in seeking a peaceful resolution to the Yugoslav crisis over the coming weeks.

The co-chairman of the International Conference on Former Yugoslavia, Owen, recalled that France currently held the European Union [EU] presidency in the half year and that French General Bertrand De Lapresle commanded the U.N. peace forces in the former Yugoslavia.

After talking to French Foreign Minister Alain Juppe, Owen told newsmen that many have voiced fears the fighting in the region could resume. At the same time, Owen rejected the possibility of taking up a mediating role within the international 'Contact Group' for Bosnia.

The idea to appoint Owen mediator within the Contact Group, which came from U.N. Secretary-General Butrus Butrus-Ghali, was being considered by the Contact Group member-countries—France, Germany, Great Britain, Russia and the U.S.

A British diplomat, Owen was chosen as E.U. representative to co-chair the International Conference on Former Yugoslavia in 1992. A French Foreign Ministry spokesman said the French and German Foreign Ministers, Alain Juppe and Klaus Kinkel, discussed over the phone Monday the Yugoslav crisis, with special focus on the situation in Bosnia-Herzegovina.

Official sources in Paris set out that France and Germany voiced concern over possible deterioration of the situation in the former Yugoslavia, unless a diplomatic breakthrough was made in the next three months. Thus, Juppe and Kinkel emphasized the significance of supporting the efforts on the part of the Contact Group in seeking an initiative to boost the peace process.

### Veselinov: Government Has No Agricultural Policy

*95BA0105A Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Dec 94 p 34*

[Interview with Dragan Veselinov, a professor at the School of Political Science of Belgrade University, by V.S.; place and date not given: "Hijacking as a Policy"]

[FBIS Translated Text] *EKONOMSKA POLITIKA asked Dr. Dragan Veselinov, professor in the School of Political Science of Belgrade University, to talk about domestic agriculture as a renowned expert in this field, but also as a leader of the People's Peasant Party. For that very reason, the interview was a mixture of expertise and policy, and not just economic policy.*

[V.S.] The farmers recently came to Republic Square in Belgrade in protest....

[Veselinov] That is good. It is good that they got up their courage. Last year, they were extremely intimidated because of the events in June. It is good that this was successful, it is good that there is a farmers' trade union, if it manages to maintain political distance from all the political parties.

[V.S.] Was the rebellion of the peasants justified?

[Veselinov] Yes. Because taxes are frequently higher than income, they are ultimately higher than the profits the peasants realize. At the same time, the plundering of property that is taking place completely illegally has to make any normal man rebel, because legal uncertainty and the uncertainty of property are coming back again.

[V.S.] Is taking to the streets the only way the peasants have left to defend their legitimate interests?

[Veselinov] No, it is not. Not if the state wants to negotiate and talk with the organizations that represent the interests of the farmers. The state, however, does not want that kind of negotiator. It is easiest when the farmers are beaten down, when the state ignores their organizations. Then it is possible to make moves that ultimately may not even be in the interests of the farmers. The only way for the state to get a better understanding of the political disposition in rural areas, and it is economic interests that bind that together, is for it itself to encourage the farmers to organize or to respect their organizational efforts. It is not doing that now.

[V.S.] There are many indications that agriculture really put its shoulder to the stabilization program and has become poor. At the same time, the rising prices of farm products had the greatest impact on November inflation. Agriculture is poor, food is expensive; what is your comment on that?

[Veselinov] Our salaries are falling in real terms, but agricultural production has also fallen. It seems that agricultural output has fallen more than purchasing power. Because less and less is being produced, and production supplies are becoming more expensive, there has to be a sharp rise of farm prices at this point. But I do not think the farmers are getting any of that. The price of gasoline jumped again the other day, and so did the price of diesel fuel. And the farmers buy diesel fuel mainly on the gray market. That is the highest cost in agricultural production. Not fertilizer, not herbicides, not pesticides, but diesel fuel is the highest cost, along with replacement parts.

[V.S.] The wheat harvest was weathered with political success, but its financial aftereffects are still with us....

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[Veselinov] Still fewer fields were planted to wheat this year. I think that the costs of the future recovery of our plowland will be terrific. The soil is losing its fertility; there is no stable manure because there is no livestock. Production must inevitably fall off. There have never been so many rodents, there have never been as many mice and rats in the fields as there are now; the corn has suffered, and the other crops will also suffer. There will be wheat, because when they are going under, people produce only what they need to survive. Unfortunately, there will continue to be suspicion between the urban and rural populations as to who has the greater right to that wheat: Does the rural inhabitant have the right to demand compensation for his work, or does the city inhabitant have the right to satisfy his stomach regardless of how much the farmer works? The state is stimulating those discussions cleverly. We are far from a modern agricultural program, which would include the structuring of domestic subsidies for agriculture at a certain level. It is my impression that all the moves are being made exclusively on the basis of an egalitarian balance of the population and an effort by the group running the country to save itself.

[V.S.] Do we have a farm policy at all?

[Veselinov] No, we do not. The state is merely relying on inertia and on the need of the farmers to produce sufficient surpluses for the market so that they can buy something for the house they do not make themselves. The state does not have any farm policy at all; its political commitment comes down to taking as much as possible from the peasants and paying them as little as possible for it.... That is all there is to it.

[V.S.] Although it is difficult to imagine under these circumstances, if you were the minister of agriculture what would be your short-term and long-range program for revitalization of agriculture?

[Veselinov] I would immediately solve the problem of wheat, corn, and milk. Cattle-raising, for that matter, is being defended through the price of milk. I would fix the price of milk so that a liter of diesel fuel would cost the same as a liter of milk. If diesel fuel became expensive, I would subsidize its purchase. I would also make it mandatory for the state to purchase wheat, and corn to a somewhat lesser extent, because it is also a livestock feed. All the rest can wait. After three or four years, I would try to broaden the program of guarantees to agriculture for sugar beets and sunflowers. There has to be protection of bread, milk, vegetable oil, and sugar. I would not touch meat.

[V.S.] It has already become an integral part of the national myth that we have great agricultural potential as a country. Is agriculture really our comparative advantage?

[Veselinov] That is the old vocabulary of economics. A state either has economic opportunities on the world market with certain products or it does not. I believe that at some future time we have export opportunities with wheat and corn, with livestock, and that is especially true of baby beef and certain other products. Unfortunately, those markets are closed now, and I am afraid that those who are not as good as we are are rushing into them. The products of our market gardening are also excellent, and neither the Bulgarians, nor the Greeks, nor the Romanians, nor even the Macedonians can surpass them. But it is completely outdated to say that agriculture as a whole has a comparative advantage over I do not know what. We simply have to work on the basis of a calculation of what pays and what does not. I personally think that large-scale agrobusiness in Yugoslavia and state policy should specialize our vital peasant holdings and large companies on a few products and try in that way to become part of the plan for agricultural specialization that exists at the level of the European Union.

## Conference on 'Epidemic Withering of Forests'

*95BA0105B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Dec 94 p 35*

[Article by Milijana Barjaktarovic: "Standing Trees Are Dying"]

[FBIS Translated Text] Forests are one of the main regulators of life on our planet. However, forest ecosystems have lost their natural stability. The reason for this is the adverse impact of man, along with other biotic and abiotic factors—this was the assessment at the two-day conference (8 and 9 December in Bukovicka Banja-Arandjelovac) concerning the state of health of forests in Yugoslavia. What is most evident, and is thereby also most disturbing, is the process of progressive withering of forests, which not only is not a specific local feature of certain regions, but is planetary in nature. The phenomenon of the epidemic withering of forests in Europe was noted for the first time at the World Conference on Environmental Protection, held in Stockholm in 1972, which certain authors refer to as a harbinger of ecological disaster. A decade later, the large-scale withering of forests extended to the area of the Balkan Peninsula, while a wave of disease, diagnosed as acute withering of Quercus sessiliflora, became evident in Serbia for the first time in 1982 in the vicinity of Majdenpek and Donji Milanovac.

The world summit conference on the environment held in Rio de Janeiro in 1992 under the sponsorship of the United Nations was also concerned with the syndrome of the withering of forests. It adopted several important documents requiring all countries in the world, therefore including ours, to protect their environment. The most important are "Agenda 21" and the Principle of Management, Protection, and Maintainable Development of All Types of Forests. The Federal Government has in the past adopted several important documents in this connection, such as the Resolution on Environmental Protection Policy in the FRY [Federal Republic of Yugoslavia] and the Resolution on the Policy of Preserving Biological Diversity. The draft of the law on the

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basic elements of the environment is now being prepared. The conference also emphasized that along with all the other numerous harmful influences, the forests are also threatened by a high danger of fire. That is, it has been found that every year there are more than 260,000 forest fires on our planet, resulting in the loss of more than 4 million hectares of forests, or 113,755,000 square meters of quality timber. In the course of a year the flames eat up 2,000 hectares of forests and 75,000 square meters of timber in Yugoslavia. In the last few years unauthorized felling has also taken a serious toll on the timber resources of Serbia and Montenegro.

The forests are most threatened in the most highly developed countries of Europe, such as Germany, Switzerland, the Czech Republic and Slovakia, and Austria. It was found that in West Germany in 1973 damage to the forests was 34.4 percent, this rose to 52.2 percent in 1975, in 1986 it was 53.7 percent, and in 1987 the percentage of withering was recorded as 52.3 percent. What has been happening to our forests in the meantime? Surveys of their state of health conducted this year have shown that the intensity of withering has increased considerably since 1990, when Yugoslavia was ranked among countries with a moderate degree of damage.

In Serbia, more than 100,000 hectares of forests (state forests) are threatened. Withering is pronounced in all types of forests and in trees of all ages, but still Quercus sessiliflora fares worst. The withering of Q. sessiliflora has been recorded in all the experimental fields (vicinity of Negoti Zajecar, Boljevac, Zagubica, Knjazevac, Sokobanja, zanj, Prokuplje, Blace, Kursumlija, Sabac, and on Avala). Regardless of the geological substrate, the quality of the soil, the slope, the exposure, the composition of the association, and the origin of the stand. In the Djerdap National Park 57 percent of the area has been destroyed, or 95,500 trees (Q. sessiliflora).

At many localities in Serbia in recent years the red pine wasp has begun to cause defoliation of pine plantations, which almost always provokes a large-scale emergence of pine bark beetles, and the result of that is the large-scale withering of the trees. Bark beetles are also an important problem in fir stands on Goc. Beech stands are also in a bad condition at numerous localities, as are field ash trees in level Srem, which are subject to a permanent threat from the ash rust (susak). One extremely threatened species in Serbia is the elm because of the damage done by the Dutch elm disease, and the cultivated chestnut in Serbia and Montenegro is practically extinct.

Montenegro has 1.3 million hectares of forests, which is 41 percent of its area. Timber resources amount to 71.9 million square meters, 28.1 million square meters, or 39 percent, of softwoods, and 43.8 million, or 61 percent, of hardwoods. Socialized forests account for 62.6 million square meters, or 61 percent, of this. The total growth in volume (annual) is 1.43 million square meters, while annual felling amounts to 1,074,000 square meters. Diseases threaten a total of 28 million square meters of timber, 17 million square meters of softwoods, and 11 million square meters of hardwoods. More precisely, 34 percent of the forests in the republic have been damaged, and the softwoods are considerably more threatened than the hardwoods. The Pljevlja timber and lumber area (Pljevlja and Zabljak) is the most threatened part of Montenegro, where more than 50 percent of the trees have been damaged. Fir, juniper, and beech have withered the most.

Quite a bit has been made of the topic of the acute withering of forests in our country. Nevertheless, things have not been altogether clarified from the first programmed survey in Serbia (over the period from 1981 to 1988), which was put on a multidisciplinary basis and involved some 14 scientific disciplines, up to this day. Viewed in this context, the Arandjelovac conference opened up many serious issues from the environmental, economic, organizational, and technological standpoint, but unfortunately it did not give a specific answer either. The most disturbing observation is that for now there are no reliable solutions, because the stability of the forest ecosystem is influenced by factors which interchange with one another and supplement one another: astrogenic and climatic factors, pollutants, pathogens, various pests, and it goes without saying that the primary factor may be the principal one or the last one, so that it is very difficult to determine which of them has the most decisive impact; that is, we still cannot even separate the causes from the consequences. One thing is nevertheless quite certain. The present condition of the forests in the world and in our country, and that condition which is yet to come, is the consequence of the prolonged effect of aggressive and malignant technologies. As for repairing the consequences, the situation is worse where man has destroyed natural regulatory mechanisms with his "professional" intervention, because not only has he failed to make proper repairs, he has even considerably increased the degradation. The reason is that forest systems are a much greater mystery and at the same time much more vulnerable than agricultural ecosystems. And that is where the first mistake begins, because the same methods of treatment have been applied, usually chemical plant pest and disease control, so that the forests have lost their autonomy because of the drastic disturbances of the biological equilibrium.

All in all, there are many reasons for pessimism, very few for optimism, and there really is not much time to hesitate. What needs to be done? Above all—a program based on modern scientific development of a model of restoration to health. And then to furnish the financial resources and equipment.

## Serbia

### Ministry's Report on Energy Situation

*95BA0105D Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Dec 94 p 16*

[Article by D. Nedeljkovic: "The 'Truth' About Electricity"]

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[FBIS Translated Text] Out of a desire to eliminate all the public guesswork and speculation concerning the shortage of electric power, the Ministry of Mining and Energy of Serbia has made public the "truth" about electricity. More accurately, a report on the present electric power situation. A praiseworthy move if the public for which that report is intended actually learns what the situation is in production, what is happening to consumption, and why there is not enough electric power. It is hardly possible, however, to spot the real cause of the increasingly frequent and prolonged blackouts from the dry presentation of data and the mechanical comparison of the facts. Not to mention the "share of the blame" of the electric power industry, the government, and consumers for the present situation.

Thus, almost incredible figures are presented for the first time concerning production: The optimum theoretical capability of installed capacity of all Serbian power plants is 161 million kilowatt-hours [kWh] per day. Assuming full plant operability and maximum use, coal-fired thermal electric power plants can produce 92 million a day, hydroplants 64 million, and combined heat-and-power plants 5 million. A world record would be achieved if the power plants succeeded in accomplishing this theoretical possibility for just one day (not to mention weeks, months, or an entire winter). No one anywhere has ever managed to do this, which is why backup capacity of about 40 percent is maintained in all the world's electric power industries. If we compare that to an example easier to understand, it will all be much clearer: Even a new car of a well-known make and recognized quality cannot be driven 24 hours a day at a maximum speed of, say, 200 km/hr, although that number is written on the speedometer. Road conditions, traffic, weather conditions, and also the engine, assemblies, and parts of the car itself do not allow the maximum to be maintained permanently. Achievement of the theoretical maximum is an impossible goal in the electric power industry, which has power plants whose technical operating life has expired. The question, then, is why a figure of this kind is presented to the public.

At this moment, according to the same report, the possible output of electric power is about 110 million kWh. Because of the drought the hydroplants can generate only one-fourth, and the heat-and-power plants nothing because there is no fuel. That means that the coal-fired thermal plants are operating under maximum load, but at the same time for every hour of operation we must assume some breakdown, removal from service, or even disruption, that is, a drop in the level of output. But even if the coal-fired thermal plants were ideally prepared from a technical standpoint to produce the maximum continually, consumption could not be "covered." In spite of the relatively high air temperatures in December, "consumption needs" are ranging at about 120-150 million kWh per day. Under ideal conditions, consumption is about 10 percent higher than possible production, which is practically impossible, so that blackouts are inevitable. It goes without saying that every disruption of production requires a further cutback of consumption, or, stated more accurately, restrictions will be larger and larger and more and more frequent as winter approaches.

## First Private Ammunition Factory in Operation

*95BA0105C Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 19 Dec 94 pp 27-28*

[Interview with Ninoslav Milenkovic, managing director of ALPEN of Kragujevac, by Miladin Simovic; place and date not given: "Profit Like a Shot"]

[FBIS Translated Text] *Until yesterday it was virtually unthinkable to set up a private firm to make ammunition, even hunting ammunition. Today, in Kragujevac we have the first such private factory, which for all practical purposes is the first such private firm in the Balkans. This fact is undoubtedly sufficient to awaken quite serious interest in these parts, which until recently was strictly controlled. However, we are much more interested in the model used for establishing that firm; private capital came together with public capital, and the image and knowledge of a state institution were used.*

*We talked about the first private factory in the Balkans for the manufacturing of hunting ammunition, and above all about the functioning of this model in the future development of the factory, with its managing director Ninoslav Milenkovic, who is a mechanical engineer who spent many years working at Zastava, in its Vehicle Development Institute, before coming over to ALPEN.*

[Simovic] What was the origin of the idea of ALPEN investing in the production of hunting ammunition; who laid down the premises on which profitable investment in this type of production was constructed?

[Milenkovic] On the territory of the former Yugoslavia there were several producers of hunting ammunition, among them the factory in Srbica with an annual production of about 50 million rounds. That factory is no longer in operation. I am convinced that it will not go back into production. There was also a little factory, several workshops, in Slavonski Brod, but it probably will not start up again either. The only active producer of hunting ammunition on the territory of the present Yugoslavia is Krusik in Valjevo. However, ammunition for hunting weapons is a by-product for Krusik, although their round always has had standard quality, as it has today. But hunters, whether they are hunting game or shooting clay pigeons, want a higher-quality round than the standard one.

[Simovic] Do you mean to say that ALPEN has discovered a "hungry" market for this type of commodity?

[Milenkovic] Even though the former Yugoslavia has been cut in half, the market is rather large and can consume sizable amounts of quality hunting ammunition. In any case—to go back to the previous question—the idea of undertaking this type of production

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originated in a conversation with people in the Bureau for Testing and Stamping Ammunition in Kragujevac. The needs of the market were examined on the one hand and, on the other, what present production offers in Yugoslavia; the conclusion was that there is sufficient room for a producer of quality ammunition. ALPEN purchased equipment abroad. I will not, of course, mention the country from which the equipment was imported, nor the manufacturer of that equipment, although I would like to emphasize that the producer has the highest reputation for this type of equipment in the world. So, we acquired two complete production lines for hunting ammunition with a capacity of 30 to 36 million rounds a year, assuming operation on three shifts.

[Simovic] I suppose the amount ALPEN invested in this equipment is not a secret?

[Milenkovic] The value of that part of this investment project directly charged to our firm is 1 million German marks [DM]. Most of these funds came from ALPEN sources. but the remainder is a loan from Slavija Banka, which has been supporting us in many business undertakings.

[Simovic] We are gradually arriving at the details of the model on which this factory is based. Who are all those who took part in realizing the idea of creating this factory?

[Milenkovic] In first place is ALPEN with ready money and a decision to create its own factory for the production of hunting ammunition, in second place is the Military Repair Plant in Kragujevac with its facilities and labor force, and in third the Bureau for Inspection and Stamping of Ammunition, also in Kragujevac.

In this effort, and I am referring to the planning and realization of the idea of forming this factory, ALPEN is a step ahead of our time, or—viewed more realistically—ahead of the deep-seated idea about realizing certain entrepreneurial ideas under our overall economic circumstances, because it carries them out more optimally than others. We did not, then, take the conventional Yugoslav road in starting up this production—first to build the plant, and then to buy and install the machines and equipment, hire the manpower, and finally begin production. What funds would have been needed to build the shops, warehouses, and office space, with all the infrastructure for any type of production, especially for this one, which is specific in many respects?! We opted for a different model; we wanted to activate existing facilities, personnel, and their experience, putting this, of course, strictly to the service of our own objectives. Is it not better to invest in the highest quality and most up-to-date equipment than in buildings, especially because they are standing right here, unused?

[Simovic] Did you lease that production and storage space, or do you have some other arrangement with the bureau?

[Milenkovic] No, we did not lease that space. Did I not say that we avoided the conventional form in setting up the firm? I am not certain that the repair plant would even lease that space in view of certain specific features of its business operation. We concluded a contract with that bureau for long-term industrial cooperation, and that means that they are investing in the manufacturing of shotgun shells the production plant, the energy, fluids, and storage space, along with the manpower, including the obligation that they maintain these facilities, while ALPEN is bringing in the equipment and production supplies and, of course, the technology as well. Marketing matters are also in our hands. The role of the Bureau for Stamping and Inspecting Firearms and Ammunition is to be concerned around-the-clock about the quality of ammunition bearing the trademark ALPEN. So, a fluctuation of quality must not be allowed regardless of what happened; our shell must have a stable, superb quality.

[Simovic] How are mutual financial relations regulated?

[Milenkovic] That contract on industrial cooperation has precisely defined what their share is in each shell.

[Simovic] You speak about the share in the shell produced or the shell that has been sold?

[Milenkovic] In the shell produced; the repair plant is not to blame if we produce something we are unable to sell. We have to be concerned about the marketability of our product.

[Simovic] One gets the impression that maximum attention has been paid to product quality. You also confirm this when you mention "concern about the marketability of the product." What happens before inspection?

[Milenkovic] I have already said that top quality cannot be guaranteed without top technology, and we have it; second, without quality production supplies there cannot be a quality end product. We are importing all the elements (case, shot, primer, wad) except the gunpowder. The equipment we have does not allow a drop in quality. You have to take pains in the wrong direction to make a product worse than the one that is possible. Incidentally, in addition to hunting ammunition, sports ammunition is also part of our program; this is for shooting clay pigeons, a sports discipline that has become part of the Olympic program. It is our intention to achieve maximum affirmation of the ammunition for shooting clay pigeons. A shell for this purpose manufactured in pilot production has been undergoing testing in foreign institutions. We got back extremely good marks. The world standards here are very strict; the characteristics the shell must display are precisely defined (gas pressure, velocity of the shot, and then the density of the shot in the target, and certain other details). ALPEN's shell has met the established parameters and has been classified at the very top of the quality ladder on the world list.

[Simovic] Can you undertake optimum production when our access to foreign markets is restricted?

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[Milenkovic] For now, we will not be able to utilize the factory's full capacity. We are counting on the Yugoslav market being able to absorb between 15 and 20 million shells a year. Given Krusik's capacity and also the illegal importing of ammunition, we think that with an output of 15 million shells we will be able to satisfy the needs of the domestic market. That means that we must look with full appreciation at the possibilities of going onto the foreign market when the embargo is removed. Specifically: The word about the quality of our hunting ammunition has spread spontaneously to interested customers abroad. The information originated with a competent authority—the institutes that check the quality of our ammunition. Of course, we have not been lazy either: We have been gathering and systematizing data on our potential business partners abroad. It is understandable that potential customers abroad are not going to risk illegal importation of our ammunition, if that is illegal importation, especially because every one of our shells contains the name of the manufacturer and the country from which it came. Nor do we want anyone in our country to experience unpleasantness and loss. So, we have to wait until the sanctions are removed to begin to activate the preliminary contract with foreign partners.

[Simovic] Do you have any very close estimate about what volume you might export in the first phase of capturing a foreign market?

[Milenkovic] From the contacts to date and the preliminary contracts that have been concluded, we have arrived at the idea that our annual exports could reach the volume of 60 percent of our maximum production. That means that we have an assured foreign market for more than 20 million shells. In all of this, I would recall that ALPEN still has not promoted its ammunition abroad, nor has it undertaken any kind of marketing and advertising. I am convinced that this figure will be considerably greater when the market is researched, when the conditions allow that.

[Simovic] Do you already have indications as to what countries are thinking about importing ALPEN shells?

[Milenkovic] They are both in the East and West, but also in the Near East. The most important thing for us is that there will be no problems with sales. The following datum confirms the accuracy of this: Even now we are thinking most seriously about additional investment in yet another production line, because the signals coming in from the domestic and especially foreign markets are convincing us that the demand for quality ammunition will be greater than our supply.

[Simovic] You will admit that the fear of excessive foreign dependence for production supplies is usually justified. What are you undertaking for the various elements of the shotgun shell to be produced in our factories?

[Milenkovic] We are mindful of the need to organize that production as well. However, we will never allow elements of the shell of lower quality to be accepted for whatever reason solely because they are manufactured in our country. We have a contract with an institute in Vinca for mastering the materials for production of the case. We have already made progress in that direction. In a relatively short period of time, we anticipate that this production will be organized and that the domestic case will not fall short of the imported case in any way. Organizing the production of the production supplies, that is, the elements of the shell, will take place systematically and gradually, with science present at every step.

[Simovic] This production has a reputation in the world of generating a high rate of capital formation, that is, of bringing a solid profit. Is this being confirmed in your firm?

[Milenkovic] Let us try to make a provisional calculation together. Our shell costs 1 dinar and 40 paras at retail. If we multiply 36 million shells by this price per shell, we get a sum of about 50 million dinars per year. Because the turnover tax is 26 percent, which means about 30 paras per shell go to the community, it is easy to conclude that society is getting some 10 million dinars in annual revenues from this production. Let us add to that that the duty on the imported production supplies is 44 percent, and that the public treasury gets about 6 million dinars on that basis. Then, of course, there are personal incomes of the 50 employees and contributions on personal incomes paid out. All in all, if our production price per shell is about 60 paras, then, in the context of everything we have said, many details become visible to the naked eye. Without ignoring these figures, I would like to emphasize particularly the activation of public facilities, knowledge, and experience in the labor force, which has not been sufficiently utilized in the socialized sector, something that cannot be precisely estimated quantitatively and carried over into a demonstration of success of applied economics in our case. We now have frequent debates in our country about the success of the transformation of the socialized economy into the private economy that has been accomplished and the need for more. I do not say that such debates are unnecessary; however, I do think that what is happening in the nature of an economic relationship is much more important than the particular manifestations and forms. Why do I say that? Well, because with our model of bringing together private and public capital, it seems to me, we have achieved optimum utilization of both, and that ought to be the purpose of all moves being undertaken in the area of better utilization of both private property and also the property of the state and socialized property. I am afraid that rigid formulas could fall short in effectiveness. ALPEN has not so far utilized certain favorable aspects of the transformation of socialized capital; specifically—we have not taken advantage of the favorable opportunity to come into possession of socialized property. Incidentally, the model of association with the public sector, viewed through our experience, is yielding quite good results.

[Simovic] Let us go back finally to a detail: Does it pay to import the production supplies or to set up one's own

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plants for the production of the various elements, in view of the future optimum level of production? It is well-known that sometimes it is more beneficial to import than to produce the production supply.

[Milenkovic] According to the experience of those who have been in this production much longer than we have—an output of more than 15 million rounds a year permits one to go into the production of the elements for that shell. So, investment in the machines and equipment for production of the elements is justified. ALPEN will enter into that process, as I have already said, cautiously, being particularly mindful of the need to preserve the quality of the end product. It is important to save the foreign exchange being spent to import production supplies, but it is still more important to preserve the quality of the commodity and the reputation on the market, especially because we can realize a solid profit in spite of the importation.

## Montenegro

### President Bulatovic on Human Rights, Freedoms

*LD3101000495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1602 GMT 30 Jan 95*

[FBIS Translated Excerpt] Bijelo Polje, 30 Jan (TANJUG)—President of Montenegro Momir Bulatovic said in Bijelo Polje today that like all the Republic's citizens, every single citizen of Bijelo Polje enjoyed the constitutionally guaranteed rights and freedoms without exception or differences.

As reported by the president's office, Bulatovic and representatives of the Republic's Government were in Bijelo Polje for talks with the town's political and business representatives. He stressed the importance of the need for political stability in Bijelo Polje and in a multinational and multiconfessional environment with a specific geographical position.

Bulatovic stressed that Montenegro was a state of equal citizens, that it had enough strength and power to efficiently protect and enforce the constitutional and legal system and that no one should count on either a privileged or inferior position as regards human rights, freedoms, and equality.

This policy has brought Montenegro recognition from relevant international factors. Montenegro and Serbia, or rather the Federal Republic of Yugoslavia, consistently and strictly adhere to the civil and democratic idea of the citizen as a factor of sovereignty, rights, and freedoms, Bulatovic said. [passage omitted]

### Islamic Community Declares Independence

*95BA0114A Ljubljana OSLOBODJENJE in Serbo-Croatian 12-19 Jan 95 p 24*

[Article by Slobodan Rackovic: "The Ulema Is Creating a Mesihat"]

[FBIS Translated Text] *The Islamic Community in Montenegro has declared administrative independence; during January it will establish its own mesihat [executive body], and in two months it will also elect a president for the mesihat, whose headquarters will be in Podgorica; contribution to the independent statehood of Montenegro.*

(From our permanent correspondent.)

The Islamic religious community in Montenegro is faster than the religious community of the Orthodox Montenegrins: While the latter are struggling to break away from under the skirts of the aggressive Serbian Orthodox Church [SPC] and restore the autocephalism of the Montenegrin Church (abolished by a decree from Karadjordjevic in 1920), the Muslims have quietly, overnight, declared their administrative independence. Back on 16 October 1994, the Synod of the Islamic Community of Montenegro adopted this community's constitution, with elections held a month later. During this month, the first session will be held of the first convocation of the Islamic Community of Montenegro, at which the establishment of the Community's executive body or mesihat will be carried out, and the members of the mesihat and the Synod's other bodies will be elected. At the Synod, rules of procedure will also be adopted on the election of the president of the Islamic Community of Montenegro, and elections will be scheduled, and thus within a period of two months one should expect the leader of the Montenegrin Muslims, with a headquarters in Podgorica, to assume a significant and responsible duty. The entire process was carried out effectively and without pomp, and so the regime in Montenegro and Serbia simply did not have a chance to prevent the administrative separation of the Montenegrin Muslims from the centers in Belgrade and Novi Pazar, although the regime did not like it, just as it did not like the attempt by the Orthodox Montenegrins to separate from the SPC and restore the autocephalism of their church.

This step, however, is causing misunderstandings among the citizens of Montenegro, especially the Muslims. While some feel that this has destroyed the spiritual unity of Muslims in the southern Slavic regions, others firmly believe that that unity, in the present unfortunate political processes in the former Socialist Federal Republic of Yugoslavia, has been saved precisely by this means. Here is what the president of the mesihat of the Montenegrin Islamic Community, Efendi Idriz Demirovic, a prominent citizen and religious official, says about it:

"It is well known that the Islamic Community was unified spiritually and organizationally in the region of the former Yugoslavia, with its highest office, the Supreme Islamic Body of Elders, in Sarajevo. After the well-known political and military events—which the religious communities did not generate, but instead suffered their consequences—changes also occurred within the Islamic Community's organization. Consequently, after the states on the territory of the former

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Yugoslavia became independent, the Islamic communities in those states declared their independence—administratively, naturally. That was done by Bosnia-Herzegovina, and also Macedonia [The Former Yugoslav Republic of Macedonia], and even Kosovo. The position of this mesihat and of the Montenegrin Islamic Community is that the spiritual unity of the entire Islamic Community in the southern Slavic region is being preserved, because that togetherness has a very long tradition. Consequently, we in Montenegro are the last to leave that togetherness administratively, because we have simply been forced to do so. That naturally does not rule out the possibility of our association with other Islamic communities in the neighborhood, but only the Montenegrin Islamic Community's Synod can make a decision on that. After all, the Montenegrin Islamic Community's autonomy dates back to the time of the Ottoman Empire. With the departure of the Turks from here, in accordance with a treaty between the High Mesihat in Istanbul and the Princedom of Montenegro (and later the Kingdom), the religious, cultural, *vakuf* [religious property], and *shariat* [Islamic law] autonomy of the Muslims in Montenegro was recognized."

Otherwise, before this decision by the Montenegrin Muslims there were ideas about founding a unified Islamic Community on the territory of the so-called Federal Republic of Yugoslavia, with one body of elders in Belgrade or Novi Pazar. Regarding those ideas, Mr. Demirovic stated: "We considered them thoroughly, and concluded that by accepting that kind of Rijaset [governing body] we would automatically consent to exclusion from the spiritual unity of the Islamic Community, i.e., from those members of Islam who are east of us, in Macedonia, and west of us, in Bosnia-Herzegovina and Croatia. Consequently, in these political circumstances, the spiritual unity of the Islamic Community on the territory of the former Yugoslavia is possible only through good and equal cooperation among all the synods and mesihats. We have left enough room for continued spiritual ties, but the kind that suit the interests of Islam and Muslims in these regions, and not political or any other interests."

The Islamic believers in Montenegro enthusiastically accepted and welcomed this position by the Montenegrin Islamic Community Body of Elders, in spite of the above-mentioned misunderstandings about the unity of Muslims in the region of the former Yugoslavia. Private statements by some of them demonstrate that after everything that has happened they felt somewhat rejected, and the step taken by their body of elders was the only one possible. Furthermore, the vast majority of Muslims in Montenegro firmly stand by the position that the Montenegrin state has to be an independent and internationally recognized country, and so they consider the administrative independence of their religious community to be a significant contribution in that direction. Regarding that, Prof. Vojo Nikcevic, a member of the Committee for Restoration of the Autocephalism of the Montenegrin Orthodox Church, told OSLOBODJENJE: "All honor to our Muslim fellow citizens! They have skillfully and elegantly completed what we Orthodox have been trying for a long time. This step by them brings Montenegro closer to sovereignty and separation from the hegemonistic Belgrade regime."

## Kosovo

### Government Condemns Planned Serb Colonization

*AU3101120895 Pristina KOSOVA DAILY REPORT 30 Jan 95 in English No 541*

[FBIS Transcribed Text] The Government of the Republic of Kosova issued on 28 January a statement, expressing its grave concern and indignation "at the introduction of recent Serbian legislation aimed at massive colonization of Albanian lands in Kosova." Kosova Government calls on the international community to exert maximum pressure on Belgrade "to stop this adventurous course of action before it is too late." Likewise, the Government of the Republic of Kosova called on "the relevant international fora [as received] not to be accomplices to ethnic cleansing, in a situation that remains highly volatile."

### LDK Issues Report in Human Rights' Violations

*AU3101121495 Pristina KOSOVA DAILY REPORT 30 Jan 95 in English No 541*

[FBIS Transcribed Text] A report drafted by the LDK [Democratic League of Kosova] Network Section in Prishtina, which gives accounts on the Serbian police repression against the Albanian population during 1994, and which was based on the reports provided by the LDK Information Commissions throughout Kosova says that during last year the Serbian police have carried out 5,207 home raidings; intervened at the Kosova institutions 660 times; 5,025 persons were summoned to so-called "police informative talks": the police made some 1,464 spoils and seized the pass ts [as received] of 776 persons; 3,436 persons were ill-treated in various forms; 2,868 persons were held up to three days in detention; the Serbian authorities initiated criminal charges against 555 persons; 4,008 others were beaten up; 263 persons were sentenced to prison terms; 17 persons were shot or killed by torture; 24 persons were wounded by firearms; 109 Albanian youth were forcefully drafted into the Serbian army.

The LDK Network Section for coordination of work with the LDK branches and sub-branches throughout Kosova says that the report is not complete as many of the victims have not reported their cases to the LDK Information Commissions fearing repercussion from police.

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